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ABSTRACT

The document offers practical and motivating techniques for helping students achieve economic literacy. The activities are designed to develop competency for effective citizenship as a consumer, a worker making occupational choices, and a voter on socioeconomic issues. The material in the elementary section discusses economic wants, scarcity and the need for decision making, production, the need for an economic system, consumption, the role of money, the market economy of the United States, the economic role of the government in the American economy, economic growth and price stability, and the United States and the world economy. The material in the secondary section discusses American government and history, basic business, consumer economics, geography, Oklahoma history, and career decisions. The sequence of material at both levels encourages the spiraling of economics education learning while integrating related subject areas. Other special features include activities for the gifted and talented and for student use of microcomputers, a brief overview of the economic education understandings related to each subject area, definitions and a glossary of terms, a brief listing of relevant economic education activities, annotated and grouped according to the economic ideas involved, a brief listing of selected supplementary materials listed at the end of each subject area, and examples and illustrations that can be easily duplicated for student use. (LH)

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ECONOMIC EDUCATION

CURRICULUM GUIDE

Kindergarten - 12

Revised Edition
1983
Oklahoma State Department of Education

SP 015 052

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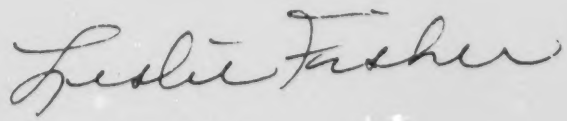
FOREWORD

This curriculum guide has been developed as an aid to teachers who will be helping the students in Oklahoma achieve a high degree of economic literacy. The activities are designed to encourage students to make rational choices in solving economic problems they will face as individuals and citizens of their city, state, and nation. The purpose of economic education is to develop tri-dimensional competency for effective citizenship as a consumer, a worker making occupational choices, and a voter on societal economic issues.

To be effective, our schools must help students at all grade levels develop the understandings necessary for active and positive participation in our present and future economy. This goal presents an exciting challenge to the teacher, who is the key person in helping students develop analytical tools necessary for understanding our vast and rapidly changing American economy.

We want to thank all of those who participated in this project and those who gave of their time so willingly in the final editing of the material. In meeting this challenge, I commend the many Oklahoma educators who have successfully developed a meaningful approach to providing economic education from kindergarten through grade twelve.

The current revision became necessary because eager Oklahoma teachers had completely eliminated the inventory of all previous editions. Of course, success of the previous editions was virtually asssured by the initial input of proven practices from hundreds of teachers and by editors who were keenly sensitive to the interests and concerns of the many economic groups in Oklahoma. This revision preserves the basic organization and content while updating for economic, cultural, and curricular changes.



Leslie Fisher
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INTRODUCTION

The objective of this economics guide is to present Oklahoma teachers and administrators with an abbreviated "educational roadmap" for integrating illustrative economic ideas and related learning activities in the school curriculum. The primary thrust will be in social studies because of the special relevance of economics to this area which spans all grade levels; however, business education and certain other areas also offer significant opportunities for developing economic understanding.

Because of space limitations, the economic ideas and activities presented here will be limited in number and scope; but it is hoped this material will give educators enough orientation for teaching a few basic concepts in a meaningful and rewarding manner. A perusal of this guide should make one aware that curriculum planning in every school will be essential to a balanced, coordinated, and effective economic education program at all grade levels. The purpose here is not to establish a separate series of courses in economics; rather the goal is to spiral the learning of economics in conjunction with the other social sciences so that our students will be able to function with greater understanding and competence in American society. Most of the proposed concepts should be relevant to any school's curriculum irrespective of its format (graded, non-graded, modular, etc.). It is recommended that a few inservice training and planning sessions be scheduled on the use of the guide in schools not already having a coordinated economic education program. Assistance with inservice programs is available and can be scheduled through either the Oklahoma Council on Economic Education or the State Department of Education.

Work with this guide will undoubtedly represent a first experience in economic education for many teachers and administrators. We wish you a happy beginning and much success in a most important endeavor.

ECONOMIC EDUCATION

ELEMENTARY LEVEL

The material in the elementary section of this guide will help teachers introduce basic economic education concepts in social studies and other relevant curricula. The sequencing of material for the primary and intermediate levels encourages the spiraling of economic education learning throughout a student's elementary school experience.

Learning activities considered especially appropriate for gifted and talented students are designated by the letters **GT** printed in the space at the left of such special activities. These particular items have been selected to encourage divergent and creative thinking. However, teachers of the gifted and talented will find many other activities in the guide are also appropriate if extended to challenge persons with special abilities.

Activities which utilize the microcomputer as a learning tool are presented at the end of the elementary section. The activities are annotated and grouped according to the economic ideas involved. The disks necessary for students to perform the activities are available from the Instructional Computer Resources Department, State Department of Education, Oliver Hodge Memorial Building, 2500 North Lincoln, Oklahoma City, Oklahoma 73105.

Other special features important for users of this section of the guide are as follows:

1. Each of the 10 topical areas begins with a brief overview of the economic education understandings related to the respective topic.

2. Definitions of terms are listed after most of the topical overviews, and a general glossary of terms is included at the back of the secondary section of the guide.

3. A brief listing of relevant economic education ideas and related learning activities is included as the major component under each topical area. Each idea is printed in bold type with a related activity or activities following.

4. A brief listing of selected supplementary materials for elementary schools is found at the end of the elementary section.

Creative Approaches to Assessment of Learning

Teachers may request a copy of an economic education related examination for any elementary school grade level from the Oklahoma Council on Economic Education, 112 Business Building, Oklahoma State University, Stillwater, Oklahoma 74078. However, the usual examination can be effectively supplemented with many other forms of assessment. Primary level teachers may wish to use some of the worksheets provided in the guide, and teachers at all levels may wish to reserve some of the listed activities for partial assessment of student learning. The following are suggestive of the many other interesting options for evaluation:

Picture Test

An excellent pre- and post-test can be administered by asking students to express ideas in picture form. Before the unit is developed, give each student a piece of large white drawing paper. Direct students to write on the drawing paper a word or words that relate to the basic concept of the unit, e.g., consumption, production, wants, etc. Ask students to draw a picture that illustrates the concept. Collect the drawings and store until the end of the unit. Repeat the process on the back of the original drawing after the unit is completed. Compare the pre- and post-drawings.

Acrostics

Use various terms and ask students to supply an example of the term in accordance with each letter used in the spelling of the term, e.g.,

G um
O nions
O il
D olls
S andwich

Crossword Puzzles

Use a simple crossword puzzle form and create puzzles for each major economic idea. After students become familiar with the puzzle activity, allow students to create original puzzles and share with other students.

Daily Journal

Have students keep a "What I Learned Today" journal. Collect journals and read weekly.

Booklets

Have students construct booklets by writing and illustrating stories dealing with concepts, e.g., "A Day in the Life of a Consumer," "My City Works for Me," "The Life of a Chocolate Chip."

Poetry

Use various poetry forms to express ideas.

Cinquain Pattern

noun	transportation
2 adjectives	fast, slow
3 verbs	going, coming, stopping
1 phrase	moving cities
1 noun	magic

Economic Wants

ECONOMIC WANTS

Every country has a common economic problem. It has limited resources for satisfying the unlimited wants of people for economic goods and services. Moreover, new inventions--applied in the production and marketing systems of the United States--are making possible more and more new products that appeal to our wants, e.g., year-around air-conditioning, color television, microwave oven, and supersonic transportation. All of us have to make choices, and **the study of economics is primarily concerned about our making the best possible decisions for the optimum use of available resources.**

By definition, economic goods and services are so scarce that people will pay for them. Ice cream cones, hamburgers, cars, haircuts, and education are in this category, but the air we **normally** breathe is not.

As individuals, we have wants for items such as clothing, combs, and toothbrushes. As a family, we desire housing and applicances. As citizens, we join together in buying the schools, parks, fire stations, highways, and other public services.

Students will find it is easy to distinguish between **economic goods** e.g., tables, houses, and toys, and **economic services** e.g., fire protection, education, haircuts, and auto repair labor. This distinction is important because a majority of American workers are producers of economic services.

DEFINITION OF TERMS

collective wants	The goods and services which members of a society seek together, e.g., streets, parks, and education
credit	A promise of future payment in exchange for present goods, service or money
economic goods	The relatively scarce things that people, families, communities, and nations are willing to pay for
economic services	The services people are willing to pay for; i.e., the work of people such as teachers, repair workers, and doctors to satisfy the wants of others
installment credit	A credit granted for goods or services purchased on terms which call for partial repayments with interest over a specified time period
interest	The payment for temporary use of money owned by someone else

ECONOMIC WANTS
K-3

1. **Families want many things. These wants include "necessities" as well as "luxuries."**

   Have a bulletin board display of pictures categorized under the following headings: "Luxuries" and "Necessities." Students may contribute pictures from personal drawings or from magazines and will be permitted to arrange the display according to their concepts of economic wants. During this experience, students should provide logical explanations of their decisions.

2. **Family wants are for both goods and services.**

   Ask students to tell about the activities of their families for one day or draw pictures of some of the activities of their families. After each response, the class may decide which activities depict goods and which activities depict services. Students might work in small groups preparing the following lists: Goods We Want -- Services We Want.

3. **Some wants are for individual members of the family and some are for the entire family. Thus, families must allocate their resources carefully to best satisfy the wants they consider most important.**

   a. Have students make booklets that include all family members. Members may be represented by pictures from magazines or catalogs. Under each picture, have the students draw or list three personal wants for that individual. (Students might choose to interview family members to get information and bring actual photographs instead of magazine pictures.) Through discussion, promote the understanding that when each want is satisfied, some family resources are no longer available to satisfy other wants the family might have.

   b. Have students draw or describe some want for which the entire family is saving, e.g., a new car, a house, color TV, insurance. (Advanced students may work with a hypothetical budget to show how much must be saved from the monthly income in order to secure this item in a given length of time.)

4. **The wants of families are never-ending. As existing wants are satisfied, new ones are created.**

   a. Play the game, "Then What." Have students elect items from a collection of wants represented by replicas, pictures, or words and tell how each of these would create further wants. (For example: a bicycle might generate wants for good roads or paths, tag basket, lock or bicycle service; a doll might involve doll's clothing, doll house, or companion dolls.)

b. Have students discuss recent purchases in the home, e.g., color TV, car, washing machine, clothing, table or chairs. Discussion might include the following situations: Jane has purchased a new dress. Was it because the old one was worn out or because it was a new style she liked? Joe's family purchased a new color TV. Did his family purchase the new set because they preferred color to black and white? (Arrive at the generalization that wants are ongoing because people's tastes change and because improved products continually come on the market.)

5. Wants vary from family to family. Each family decides on the wants it considers most important to satisfy.

a. Have students compare and contrast the needs of the following family units:
   (1) father, mother, and baby living in an apartment
   (2) mother and two small children living in a remote village in Alaska
   (3) mother, father, grandmother, and 18 year-old boy living in a big city
   (4) mother, father, and 5 children living on a farm

b. Show slides, filmstrips, or pictures of families living in different cultures or in different locations. Discuss varying wants: a family living near the seashore may want a boat while a family living on a farm might want a horse.

6. Within a family, both the individual wants of members of the family and the collective wants of the family as a unit tend to change as the children grow older.

a. Allow the students to make a scrapbook showing how wants change as people grow older. Students may include pictures of wants at different stages in their own lives and project wants for the future. Under the following or similar headings, students may arrange pictures to show their wants:

   (1) When I was a Baby I Needed These Goods and Services
   (2) When I was Four I Needed These Goods and Services
   (3) Now That I am I Need These Goods and Services
   (4) When I am Sixteen I Will Need These Goods and Services
   (5) When I am Grown I Will Need These Goods and Services

b. Have students make a list or draw pictures of things they now own which they no longer want because they are getting older.

7. A source of family income is necessary for the satisfaction of wants.

a. Have students list immediate wants of their families. Students may wish to discuss this assignment with their families before responding. Provide catalogs, newspaper ads, and magazines so the students may find out how much each item will cost. Follow this assignment with a discussion of "How do families get the things they want?"

GT

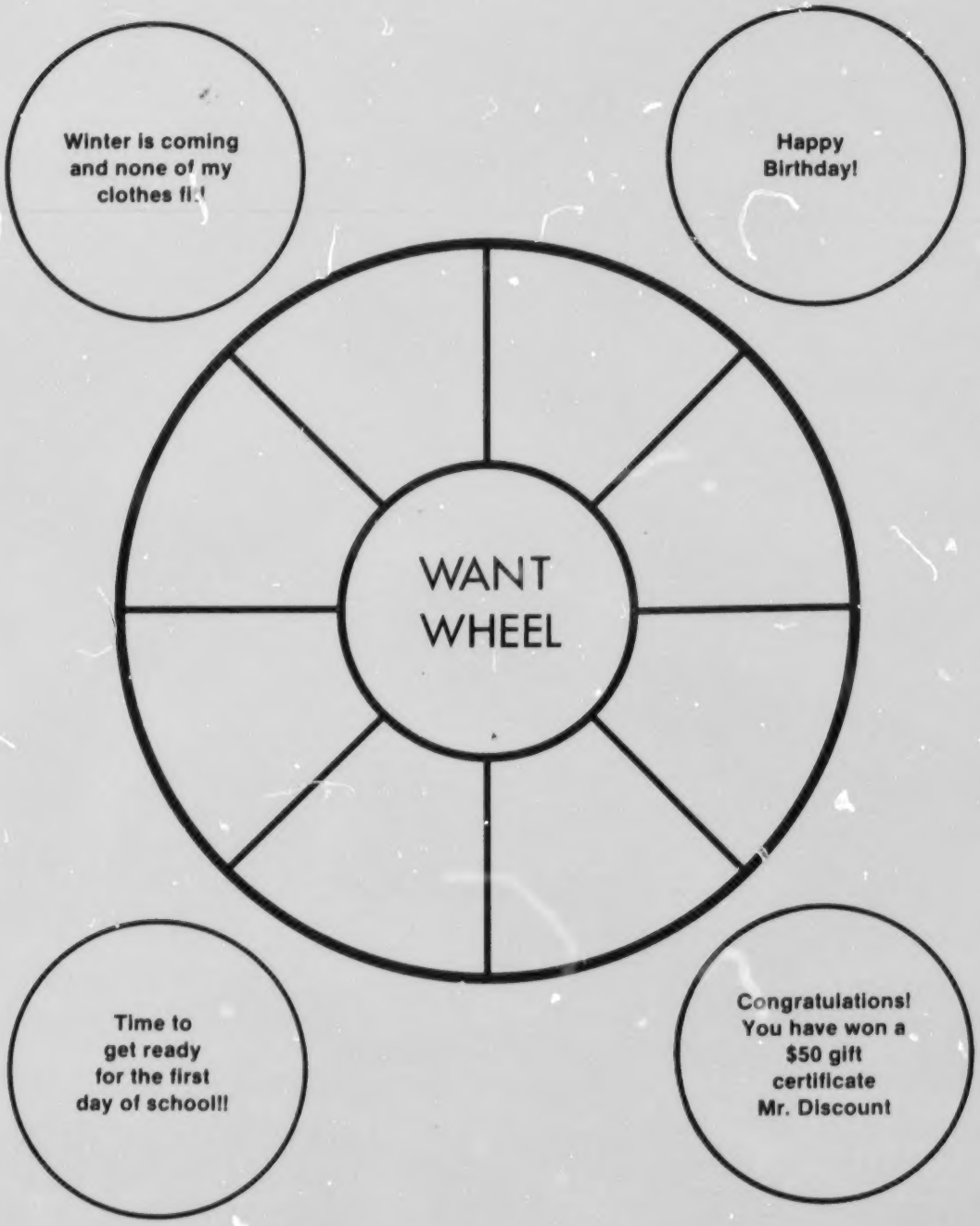
(1) Have students play "suppose game." Have students respond to such statements as: suppose newspapers cost $1.00, suppose eggs cost $5.00 per dozen and cereal $.25 a box.

(2) Have students imagine and draw what they would want for a birthday gift if the year was 1900, the present, or 2000.

(3) Have students imagine and draw what they would like for a birthday gift if they lived in Oklahoma, Florida, at the beach, in Chicago, New York City, or Fairbanks, Alaska.

Give the students the following directions:

1. Select a situation disc and paste it in the middle of the wheel.
2. In the spaces surrounding the situation disc, list "wants" that the situation might generate.
3. Color yellow the "wants" that are necessities and color orange the "wants" that are luxuries.
4. Decide which category is the largest and why.
5. Outline in purple your choice if you could only choose one.
6. Cut out each wheel and write the reason for your final choice on the back of the wheel.
7. Pin the **WANT WHEELS** on a bulletin board so that other students may view the choices and discuss the reasons for the decisions made.


Winter is coming and none of my clothes fit!
Happy Birthday!
WANT WHEEL
Time to get ready for the first day of school!!
Congratulations! You have won a $50 gift certificate Mr. Discount

ECONOMIC WANTS

Grades 4-6

1. **People's wants vary because of geographic location.**

   Display pictures entitled "How People Around the World Live," or show slides, filmstrips,, and pictures of families living in different cultures or in different types of communities. Have students discuss how people in different geographical locations would have different wants for such things as clothing, housing, health, and recreation.

2. **People's wants vary because of cultural differences, but all people have primary wants for food, clothing, and shelter.**

   Extend the above activity. Have students identify wants that are common to all people throughout the world. However, they should recognize that although many categories of wants are common, the particular goods which satisfy their wants will differ around the world. (Example: shelter in Alaska vs. shelter in Africa.)

3. **People's wants vary because of personal preferences and age differences.**

   Have students write about favorite possessions they had as a young child and tell why they no longer need or want it. Students might discuss what they think they will want most when they are 20, 30, and 50 years of age.

4. **People's wants change as new things are discovered or invented.**

   Have groups of students role play how families now living would react if thrust back in time to 1870, and show how inventions and discoveries anticipate and serve the current wants of people.

5. **People's choices for satisfying their wants are limmited by their income.**

   Have students compare choices for satisfying economic wants of two different families having the same amount of income but with different numbers of children. Family "A" consists of father, mother, and a 10-year-old son. Family "B" consists of father, mother, a 12-year-old daughter, and eight-year-old son, and a three-month-old baby daughter.

6. **People work together to satisfy collective wants in the neighborhood, city, state, and nation.**

   Identify goods and services we buy together (collectively), e.g., schools, parks, roads, and army. Identify organized groups who work together to secure goods and services for the benefit of the neighborhood, city, state, and nation, (United Fund, governments at each level, etc.). Divide the class into committees to research and share information about the function of such organized groups--some groups would be governmental and some would be private.

GT Have students work in small groups to make a time line charting major inventions and discoveries for a 100-year-old period. Each member will choose for in-depth analysis two or more goods or services resulting from the inovations marked on the time line. The resulting report should include the probable extent to which the innovations helped serve the wants of people.

Scarcity and the Need For Decisionmaking

SCARCITY AND THE NEED FOR DECISION MAKING

New inventions and technological innovations often permit more efficient use of the resources that are available to society, but there are never enough resources to satisfy all of the never-ending wants of people. Because we cannot have everything we want, **scarcity** is an economic fact of life.

As individuals, we have to make choices among the alternative ways we can use our time and spend our money. Similarly, through our elected representatives, we have to make difficult decisions about how our neighborhood, city, state, and nation can best use their available resources to provide desired services.

Whenever a resource is used for one purpose, it is obviously no longer available for other uses. A family may have to postpone a vacation trip because the house needs a new roof. If a student uses $.50 to buy an ice cream cone, the opportunity of placing this same money in a savings account is foregone. If a nation commits $100 million for production of military facilities and equipment, it loses the opportunity of using these particular funds to support education and other public services. Therefore, economists refer to the real cost of using scarce resources in a particular way as **opportunity cost** because we forego opportunities for other uses of the same resources.

In the market place and in the voting booth, each new generation of American citizens must make continual decisions about the use of scarce resources. Basic decisions about resource allocation must be made by individuals, families, private organizations, and all levels of government. The proportion of resources to be used for private consumption, e.g., cars and clothing vs. public use (roads, parks, and schools), is never fixed because citizens continually reassess the opportunity costs involved.

DEFINITION OF TERMS

budget	A plan which classifies individuals', families', communities', or nations' estimated incomes by source and the way the incomes were or will be spent within a fixed time period
consumption	The direct use of goods and services to satisfy human wants.
opportunity cost	Since resources, goods, and services may be used in many different ways to satisfy wants, the real cost of using resources to satisfy one particular want is the giving up of other uses we might make of these same resources
public goods	The goods provided by governments which help satisfy the collective wants of people; examples would be schools, highways, and parks
resource allocation	The blending of natural resources, human resources, capital, and entrepreneurship in the production of goods and services
savings	That part of income not spent
scarcity	The universal condition of people wanting more goods and services than they can have because of limited resources
technology	The ability to use resources with increasing efficiency to produce goods and services

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SCARCITY AND THE NEED FOR DECISION MAKING

K-3

1. A family's wants exceed its income, so some wants must wait--choices must be made.

a. Have the students make "wishing pictures" showing all the things they would get if they could have anything they wanted. Discuss the things the students put in their "wishing pictures."

b. Have students draw pictures of things they want that cost from $1.00 to $10.00. Have them indicate the order of importance of the items by listing first, second, and third choices if only one want can be satisfied at the moment.

c. Use the following simulation activity to develop the idea that choices must be made in relation to income: Have students contribute items to a classroom toy store, arrange the displays, and affix price tags to articles. Tell students they have a certain amount of money to purchase items they want, but stipulate that each student must retain enough money to buy lunch and a tablet for school use. Students should then list the items they would buy. Ask students to give reasons for the choices they made.

d. Have each student determine how a dollar would be spent at a local fair if given the following choices:

Merry-go-round	15¢	hot dogs	20¢
animal show	25¢	hamburger	25¢
spook house	15¢	pop corn	15¢
sky ride	30¢	coke	20¢

Have students discuss how they would spend $10.00 received from an uncle the day before the fair opened. Would all the money be spent at the fair? Would some of the money be put in a savings bank? Would other wants be satisfied?

2. **In sharing the family income, members of a family are responsible for their spending choices.**

   a. Have the students play a "what our family would like to have" game. When lists of family members' wants have been made, the students' attention should be drawn to the following:

      (1). The lists are incomplete. Had each member of the family listed everything wanted, each list would be practically without end.

      (2). The different lists contain similar and dissimilar items illustrating the similar and dissimilar wants of different families and of different family members. With these lists of different family wants, have the students discuss or write stories about why families don't buy all the things they want.

3. **Choices are influenced by cultural, geographic, and climatic factors.**

   a. Read stories and show slides, filmstrips, or pictures of families living in different cultures or in different locations. Discuss how their ways differ. Have the students gather information about people's different cultures and regions and communicate their findings by:

      (1) writing stories as a group by dictating to the teacher
      (2) writing and illustrating individual stories
      (3) preparing displays
      (4) writing and producing original plays
      (5) role playing various situations.

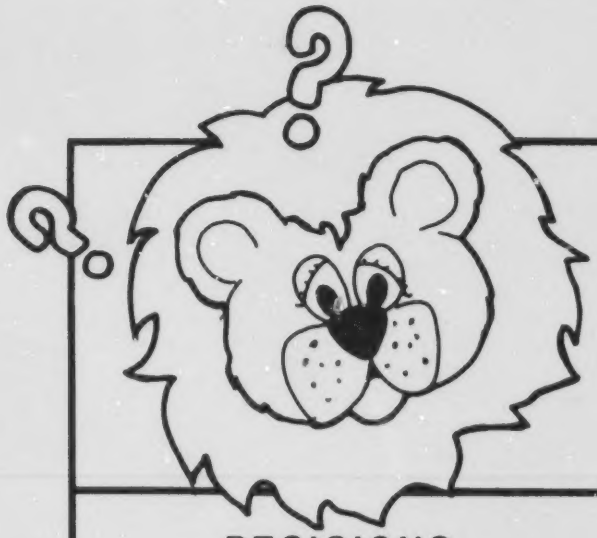
4. **For optimum allocation of its resources, a family must plan ahead and budget the income of its members for those priority expenditures it desires.**

   a. From the list given below, have students number in sequential order the items they consider most essential in a family budget. Students who have not learned to read may put numbers on pictures supplied by the teacher or draw items in order of their importance to family needs. Use the following items:

      (1) food
      (2) housing
      (3) new car
      (4) vacation
      (5) replacement of worn-out clothing
      (6) microwave oven

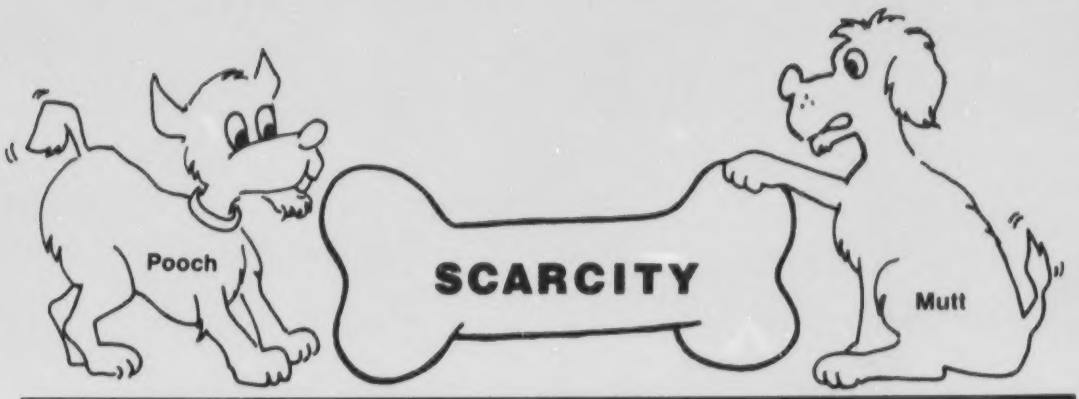
Have the students discuss their view of the important factors to be considered when deciding on the priority of specified goods and services that will be bought with a family's limited income.

b. Allow students to budget a hypothetical allowance to meet their own individual needs.



MAKING DECISIONS

DECISIONS Underline your decision.	OPPORTUNITY COST Write your opportunity cost.
Play Softball Watch TV	
Babysit for a neighbor Go to a Movie	
Put allowance in savings Buy a new game	
Do homework Ride bike	
Read a good book Mow the lawn	
Go shopping Visit a friend	



One bone, one bone, one bone,
Each dog wants to eat it alone.
Help Pooch and Mutt think their problem through,
And then decide what's best to do!

Problem: _____

_____

_____

_____

Scarce Resource: _____

_____

_____

Possible Solutions: _____

_____

_____

_____

_____

_____

_____

Best Solution: _____

_____

_____

5. **To the extent feasible, a family should "shop" for sources of goods and services that will supply its wants most economically and effectively.**

   Let the students tell whjy they prefer one item when comparing two similar items of food, clothing, or toys. Let students decide which is the "better buy" and give the reasons for their choices. List the implications of both price and quality of goods and services.

6. **Sometimes individuals or families choose to forego certain purchases so that they will be better able to buy what they desire later. Income not immediately spent becomes part of the family's savings.**

   Have students name what they would forego in saving for a toy that costs $4.00. Ask the students the following: If you receive and save $.50 a week for doing chores, how soon will you have the $4.00? What other purchases might you forego in order to save? How might members of your family all save for a new television the family would use?

7. **The real cost of any item is the foregone opportunity to purchase other items with the same resources. In economics, this is called opportunity cost.**

   a. Have students play the game, "Either, Or." Give students a list of paired "wants" and state that they may have either a football or a baseball, a new coat or a dog, etc. After students have made selections, promote the understanding that the real cost was what they had to give up when making final selections.

GT b. Have students write a play to present to another class about a family who spent more than their income. Have students consider several endings to the play.

   c. Present a situation in which a family has overspent and is in debt. Have students come up with **many** possible courses of action for the family. These courses of action will be listed and evaluated. Have students discuss the consequences of recommended actions.

   d. **Attributes** - Have students list as many inherent properties and qualities of wanted things as possible. Fluent and elaborative thinking are the goals here. For example, consider a bike's weight, height, shape, color, feel, materials, utility, safety, and durability.

e. Ask provocative questions such as these:

TOPIC: Water

Is it unlimited?
What are the costs and advantages of treating water?
How does water get to your house?
What are the uses of water?
When are people more careful than usual about rationing water?
How many gallons are used for a bath?
How many gallons are used for a shower?
What could you not do if the water was turned off for a day?
What would you do if the water was turned off for three days?

GT

Design a plan for your family's water use, keeping in mind your answers to the questions above.

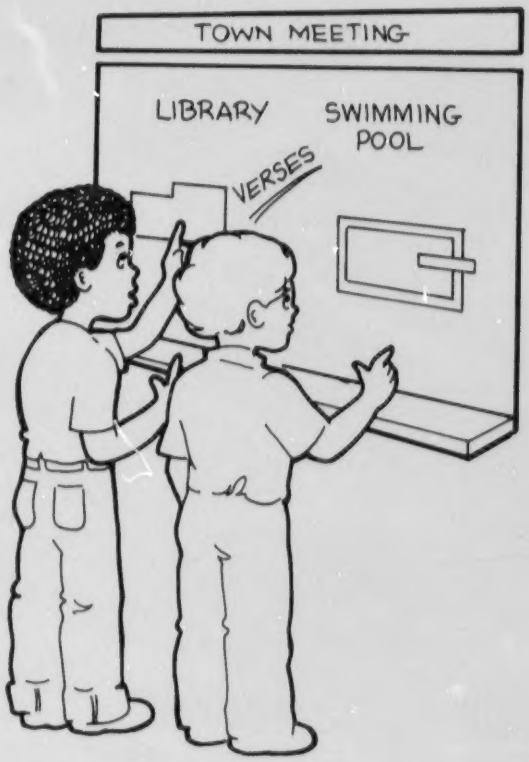
SCARCITY AND THE NEED FOR DECISION MAKING

Grades 4-6

1. **Resources are limited; so cities, states, or nations cannot have everything their citizenry want. Therefore, society has to decide which things are most important or give the greatest amount of satisfaction.**

   a. Have a simulated activity in which students roleplay their parents at a town meeting discussing the pros and cons of such issues as:

      (1) need for a new library versus need for a swimming pool
      (2) tax money for summer recreation program versus tax money for street improvement and sidewalks
      (3) a particular school bond



2. **Citizens may choose to give up some personal expenditures in order to obtain certain public goods or services.**

   Problem Solving Situation: A local election is to decide whether the people desire to establish a city zoo. As taxpayers your family will be assessed an additional $25.00 in taxes each year for the zoo, and this means $25.00 less to spend on food, clothing, toys, etc. What do you think your family would be willing to give up in order to meet this obligation? Students can respond individually or by committee, and responses can be compared. Some students may feel the cost of the zoo is too high.

3. **Unusual situations, such as war, may cause a society to reallocate resources very rapidly.**

   Have students study about the rationing and price-control system which was enforced by the U.S. Government during World War II. Have them discuss why such controls seemed necessary (when consumer goods were in such short supply).

4. **Decisions on the allocation of resources are influenced by cultural and political factors.**

   Have the students consider how the allocation of resources--people, consumer goods, raw materials, capital equipment and natural resources--might be handled differently by Russia.

5. **Collective goods or services can be provided only when the necessary resources are available.**

   a. Divide pupils into groups of four or five to research and explain one of the following by means of graphs, charts, or pictures:

      (1) The percent of the local tax dollar that is used for schools (remember, support also comes from the state); how the remainder of the local tax dollar is divided.
      (2) How a local church budget is allocated.
      (3) How such agencies as the United Fund, the March of Dimes, and the Red Cross allocate their resources. (This type of activity will give students an opportunity to interview persons in the community and get first-hand information.)

6. **The American economy offers a wide variety of goods and services from which to choose.**

   Ask each student to bring ads from newspapers and magazines to show the wide variety of coats or some other commodity on the market. Based on claims in the ads, have children tell which coat they would choose and why.

GT Have the students brainstorm to develop a list of economic resources available in the local area. Then assign to small groups the task of identifying the 10 "most important" resources. Each group then prioritizes its list and uses large chart paper to display the listing for the class after expressing the rationale for the choices that were made. Similarities and differences among group choices will be compared.

MC Four games entitled "Decision Games" to be played on a microcomputer by fifth and sixth grade students are available from the State Department of Education (on disk). The games emphasize scarcity, price mechanisms, wants and productivity, market supply and demand, and scarcity and choices.

Production

PRODUCTION

Economic goods and services are not free because they can be made available only through work and investment of other people, called **producers**. The process of production makes possible the economic goods and services we consume as individuals and the capital goods that are eventually used up in producing other goods. Production requires three productive resources--natural resources, capital resources, and human resources.

PRODUCTIVE RESOURCES

Natural resources are the land, minerals, water, fertile soil, timber, and other raw materials that may be consumed in the production process. Because natural resources are limited, their wise use is important.

Capital resources are the buildings, tools, machines, and other equipment used to provide the economic goods we consume. In general, therefore, capital can be defined as goods used to produce other goods. Notice that the economist's terminology here differs from the common reference to money capital (amount of money), which can serve only as a claim on economic goods. Improvements in technology (machines and production processes) serve to upgrade and expand our stock of capital goods. This point can be well illustrated by comparing modern farming, manufacturing, and transportation techniques with methods used before 1850. Capital formation is possible only when enough persons are willing to forego some present consumption in the hope of earning future reward from their investments.

Human resources include the present capacity of the available work force to provide economic goods and services. The nation's work force includes assembly line workers, managers, clerks, doctors, lawyers, teachers, salespersons, and all other categories of workers. The quality of available labor is of utmost importance to the economic growth of any area; and this quality is determined largely by the motivation, technical skills, and levels of education which people attain.

Whether one is in the business of mowing lawns or manufacturing jet aircraft, the ultimate goal will be to find that optimum "mix" of natural, capital, and human resources which will result in the most profit. We would, therefore, expect that more human power will be used to produce each unit of output in a country such as India (which has proportionately more people and less capital) than is used in the United States.

The important function of bringing together the three productive resources and developing innovative methods of producing goods or services with the chance of profit or loss, is called **entrepreneurship.** In fact, this function is so vital that some economists refer to it as the fourth productive resource.

SPECIALIZATION OF LABOR

Often efficiency can be increased by dividing a productive process into specialized tasks or steps. Specialization has made possible the mass production of economic goods, e.g., cars, carpets, and TV sets, at prices most Americans can afford. Specialization also extends into our marketing system which makes new products available at a convenient retail outlet and provides such additional services as credit and insurance.

As we increase in specialization, we become **interdependent** upon each other. The car owner needs the mechanic and the service station operator. The homemaker employed outside of the home needs the products of the bakery, the cannery, the butcher, and the household applicance stores. By comparing life today with the meager existence that a self-sufficient frontier family could eke out for itself, we can better appreciate the scope of specialization today and the benefits in goods and services which have resulted.

As American workers have improved in education, acquired more skill, and received better equipment with which to work, their **productivity** (amount the average worker produces per hour) has increased. As a result they have earned high incomes which have enabled them to consume more and better goods and services.

The amount of income which an individual can earn in a particular occupation is determined by several factors including education and skill requirements, working conditions, risk, work performance, and the supply of persons who are prepared and willing to work in the respective occupations.

Because of rapid changes in technology and consumer tastes for particular goods and services, most workers must learn new skills or vocations several times during their working years. When a person advances to higher levels of responsibility in a firm, new skills and work habits must be learned.

Illustrations of specialization can be easily found in the chores and responsibilities of various family members; the occupations of different persons in a community; the production processes of industry; the marketing functions of buying, selling, advertising, transportating, financing, insuring, storing; and even the lesser degree of specialization in certain cities, states, regions, and nations which concentrate on producing what they can do best.

DEFINITION OF TERMS

efficiency	The result when efforts are expended to make the best possible use of available resources; efficiency is usually measured by the per unit cost of goods and services or the productivity of resources
entrepreneur	The business person who not only has the know-how of combining resources to produce goods and services but also is willing to risk making either a profit or a loss
human resources	Human effort in the production of goods and services
natural resources	All things created by nature that are useable in the production of goods and services
production	Any kind of activity which adds value to goods and services; also, the total amount of goods or services that are produced
specialization (division of labor)	A situation in which an individual makes only a certain part of a good or service, or when a nation produces those goods or services that are best suited to its resources

PRODUCTION

Grades K-3

Production is the process of using natural resources, capital resources, and human resources to make the goods and provide the services that we consume.

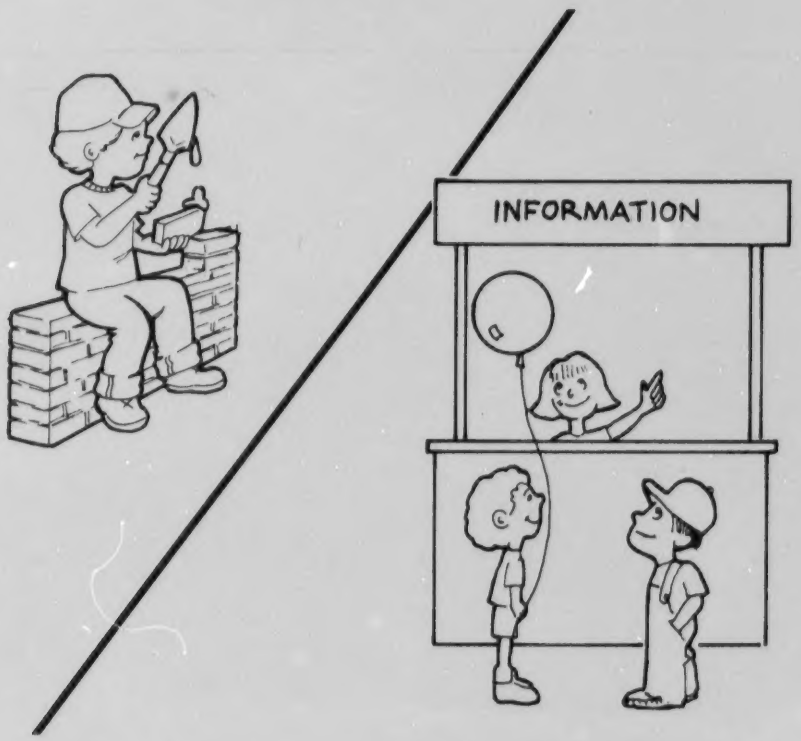
1. **The production of economic goods or services is a most valuable and essential contribution to society.**

   Have students prepare a master list of the types of jobs in their community and trade center. Through class discussion, the students may develop a genuine appreciation for the contribution of every worker. Discuss what would happen if no food were produced for consumers. Continue the discussion by hypothetically eliminating other items from production.

2. **Some workers produce goods; others produce services. All of these workers can be called "producers."**

   a. On the list prepared in the previous activity, have the students indicate beside each job whether goods or services are produced.

   b. Take field trips to see the 'world of work' and observe different producers at work. From observation and interviews determine who is producing goods and who is producing services.



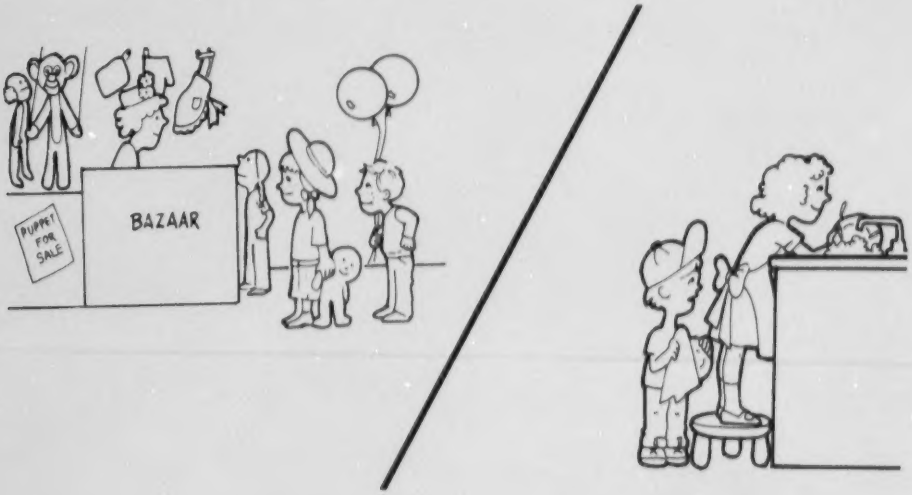
c. Have local producers visit class to discuss their work.

d. Develop wall charts and displays about what producers do in the local community. Include pictures, drawings, photographs, etc.

e. Play a game in which a job is named and students stand if production of goods is involved and clap if the job produces services.

3. **All productive work in the home is of value, but most home services are provided by family members without payment.**

Have the students list various important jobs that are performed without wage or salary compensation, e.g., family members working around the home or persons doing church, civic, or charity work. Discuss the overall importance of such work to the family and the community.



4. **Most people receive money income for working outside the home. Wages and salary will vary with work performance and type of job.**

Have the students bring pictures of different kinds of jobs being performed. Consider what qualifications a person should have to work in each of the jobs. Note that the amount of income a producer receives depends both on the type of job and how well the job is done. Encourage the students to recognize the importance of a 'job well-done' by role playing the effect on consumers and society when jobs are not performed well by an auto mechanic, road builder, barber, doctor, teacher, and others. Note that definite skill and persistence is required to do any job exceptionally well and that persons who develop such competencies are valuable citizens.

5. **Most members of the family are producers, but everyone is a consumer.**

   Have the students list and discuss categories of persons, perhaps family members, who are not producers because of age, illness, unemployment, etc. Discuss how the economic needs of these persons are served by those who do produce and how further training might make some unemployed person employable again. Discuss and role play the situation of machines, e.g., automated manufacturing equipment replacing laborers who must then prepare themselves for new kinds of work.

6. **Productivity usually increases as producers specialize.**

   a. Have the students discuss, illustrate with charts or displays, and role play the advantages of specialization. For example, they can compare the expected productivity by one person building a car in a garage with the productivity of another person on a factory assembly line. Then, consider the many specialists who contribute to making fresh bread available in the grocery store and discuss the many steps followed by the pioneer family when making bread, e.g., harvesting, grinding, making dough, baking, etc. Notice how specialists could increase the productivity of these functions.

   b. Have the students analyze a final product such as an ice cream cone in terms of its many stages of production, e.g., care of cow, milking, cooling, storing, transporting, manufacturing, and selling. Notice the contributions made by the respective specialists in this productive process.

GT c. Invite four working individuals with different careers to talk with the class about their jobs. Schedule only one per day. Follow each presentation with questions such as 'What if there were no people in Oklahoma trained in this person's field? Could your teacher do the job?'

   d. Have students produce something in the classroom--plants, waffles, chickens, etc. Have children list natural, capital, and human resources involved. Have students evaluate the production experience. Have students suggest improvements and evaluate.

PRODUCTION

Grades 4-6

1. **Production of any economic goods requires natural resources, capital resources, and human resources (labor).**

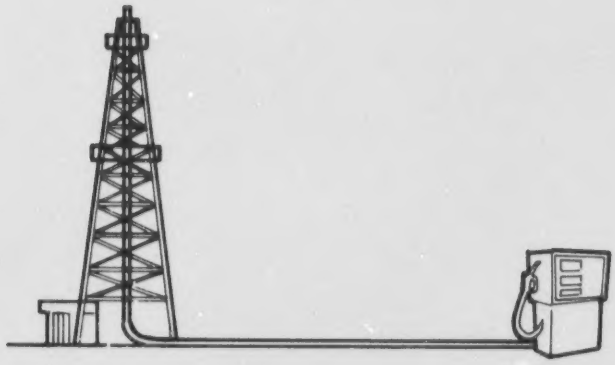
   Have students role play the production of some economic goods for sale to the public, e.g., hamburgers or lemonade. Note the need of facilities and utensils (capital), land and raw materials (basic ingredients), and labor (including both management and other employees).

2. **Natural resources are the land and "raw materials" used in production.**

   Have students identify various natural resources and find products made from them for consumption. Displays would be effective showing these relationships: wheat and bread, clay and pottery, hide and shoe, wood and desk, petroleum and gasoline, plastic product or electricity, iron ore and model car, airplane or ship. Consider the major natural resources available in the local community and the state. Study the impact of these resources on the economic development of the respective areas.

3. **Capital resources--tools, machines, factories, etc.--help produce goods and services better and faster.**

   Students list the various tools, equipment, and buildings necessary for the production of the items discussed in the previous activity. Role play some of the stages of production from raw materials to the finished product. (NOTE: People performing economic services, e.g., barbers and retailers, also require capital buildings and equipment.)

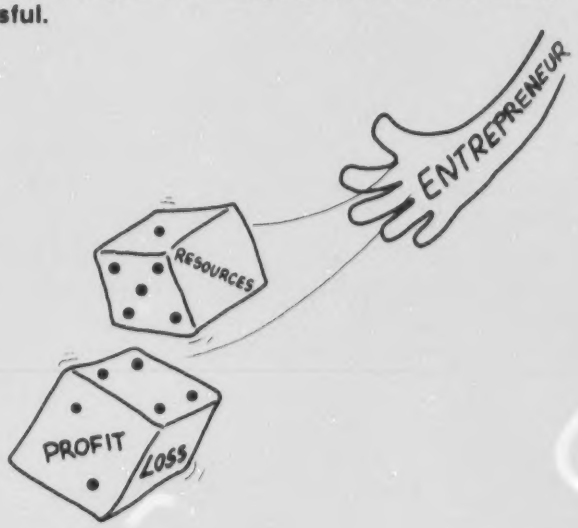


4. **Labor--human resources--is one of the most important resources in production and involves all types or workers.**

   Students discuss the various categories of human resources necessary for the production studied in the previous two activities. List these and other job categories on wall charts. (In addition to operative workers with specialized skills, there will be various categories of managers and also related specialized functions; e.g., financing, insurance, transportation, storage, and selling involved in making economic goods available to consumer.) Consider the level of education and training necessary to perform the various jobs that are discussed.

5. **Entrepreneurship is sometimes called the fourth necessary factor of production. An entrepreneur takes a business risk in hopes of making a profit, however, many business ventures are not successful.**

   Students should interview a local businessman who has recently opened a new firm in the community. Find how much is invested and why the new firm has been established in this community. Next, inquire about businesses that have not been successful in the community and why they failed. Study the lives of important local, state and national entrepreneurs, e.g., E.W. Marland, Frank Phillips, John D. Rockefeller, Henry Ford and Robert S. Kerr.



6. **New or expanding business and industry in a community will provide for new jobs, expand the overall level of business activity, and generally raise the standard of living of local citizens.**

   The following activities, in conjunction with field trips and visiting speakers should help the students understand the importance of industrial development in their community.

   a. Students list all of the major industries in their community. (Rural students may wish to consider "neighboring" cities, e.g., the "trade center" of their area.)

   b. Students consider how a new firm hiring 500 workers who have families would affect business, such as grocery stores, service stations and furniture stores in the community.

c. Students consider additional demands on community services such as schools, hospitals, fire and police protection, roads, utilities and waste disposal when a comparatively large firm moves into the community. Do the additional benefits derived from additional jobs outweigh the additional costs the city must assume? What are the social costs in terms of air and water pollution?

d. Students analyze the assets and problem areas of their community for attracting new industry, and then consider the types of industry that would be most compatible with their local resources. (The local Chamber of Commerce would be glad to assist the class with this study.)

7. **Managers strive to organize and direct efficient allocations of natural resources, capital resources and human resources in the production process.**

   Have the class work through the steps required to begin a small retail or manufacturing business such as is done by Junior Achievement Programs in some communities. Among the many possibilities would be a hamburger stand, a school store, or a pet shop. Consider expected production cost, the product selling price and expected volume. This exercise should point up the important role of management in organizing and directing the most efficient mix of natural, human and capital resources for profitable business operation.

8. **All resources are limited, but some resources are relatively more scarce than others in different societies.**

   a. Students select an underdeveloped country to study. Ask students to identify some of its economic resource problems. Example: India has a comparatively large population, but the majority of its people have little training and there are relatively few natural and capital resources.

   b. Students prepare graphs of five or six leading countries of the world showing their natural resources such as coal, oil, water, etc.

   c. Students investigate and report the influence of human resources on production in those countries. To what extent is advanced technology applied in production, e.g., road building, textile manufacturing, farming, etc.? Compare the types of industries in these countries with industry types in the United States and explain the difference.

GT d. Have the class set up a production operation for the school. A school newspaper is one possibility. Small task groups will provide a model for the appropriate division of labor and responsibilities.

MC **e. Students could use the microcomputer and run a program which shows the sales, costs, profit or loss which are involved in operating a lemonade stand. A copy of the program is available from the State Department of Education.**

Need for an Economic System

NEED FOR AN ECONOMIC SYSTEM

Every society must adopt some form of economic system to resolve the basic problem of scarce resources to serve the unlimited wants of its people. More specifically, a society must establish a system for determining:

1. What goods and services shall be produced?

The economic system will determine how much emphasis will be given to producing capital goods, e.g., buildings and equipment versus consumer goods; military goods versus civilian goods; private goods and services versus public goods and services, and specific items such as the particular kinds of boys' shirts and girls' dresses.

2. How shall goods be produced?

The economic system will determine which persons will be involved in producing the various goods and services. The system will also determine which materials, equipment and techniques will be used.

3. For whom are goods to be produced?

The economic system will determine how a nation's total production will be divided among individuals, families and groups.

Primitive societies often resolve the **what, how, and for whom?** questions by tradition. Tribal practices are simply handed down for centuries. In centrally directed societies, as in communist countries, a comparatively few persons make the basic decisions about production and distribution of goods and services. In a comparatively private enterprise economy, as in the United States, these decisions are made in **the market place.** That is, the particular uses of productive human and natural resources are largely determined by the producers who are willing to bid the highest prices for these resources. Similarly, the consumer goods and services produced are those which consumers are willing to buy at a price the producers consider appropriate. Consumer purchases represent dollar **votes** for particular goods and services.

Thus, the American private enterprise system provides a market oriented economy which is characterized by: **(a)** the profit motive to stimulate business activity and risk taking; **(b)** free competition among producers to enhance efficiency; **(c)** consumer direction; and **(d)** freedom of individuals to apply their talents and savings in whatever work or business activity they consider most desirable. Each citizen is therefore challenged to take the initiative in seeking a significant and productive role.

DEFINITION OF TERMS

capital good	A tool, machine or factory used to produce other goods
centrally-directed economy (command economy)	A system by which the decisions of what goods and services are to be produced, by whom, how, and for whom are made by an individual or a small group
competition	A situation in which one or more producers seek to gain an advantage over the others in selling similar products or services
consumer goods	The goods used directly in satisfying human wants
private enterprise economy	An economy system featuring private ownership of property, the profit motive to stimulate production, competition for efficiency, private ownership of resources for production, and consumer direction through market purchases of goods and services
production	Any kind of activity which adds value to goods and services
profit	The income remaining after all costs of operating a business are paid; the chance for profit motivates entrepreneurs to take economic risks
loss	When business expenses are greater than income, the difference is a loss

NEED FOR AN ECONOMIC SYSTEM

Grades K-3

An economic system determines how decisions will be made about **what** to produce, **how** to produce, and **for whom** to produce.

1. **The Oklahoma pioneer family system was in fact a simple economic system.**

   Introduce students to Oklahoma's pioneer days through books, films and resource people in the community. Students might produce their own filmstrips or display charts showing segments of life in early Oklahoma with emphasis on the interdependence of family members. Select pictures that show pioneers making soap, curing meat, churning butter, cutting wood, building homes, etc. A cardboard box open on one side with rollers at either end makes a satisfactory conveyance for the student-made filmstrip. Follow these activities with a discussion of why finished goods were seldom purchased by the pioneer family.

2. **The pioneer farm family constantly strived to increase its productivity. However, pioneer family production was limited because of the lack of efficient tools and machines.**

   a. Plan an excursion to a museum to observe tools and machines used by pioneer families. Collect or prepare pictures and articles about early innovations that increased the productivity of pioneer families. For instance contrast the following:

      (1) one-row with two-row horse-drawn farm equipment
      (2) the scythe with a horse-drawn grain binder
      (3) the washboard with a hand-operated clotheswasher
      (4) a needle and thread with the foot-operated sewing machine
      (5) buckets of water carried from a stream with the more convenient hand-dug well or the windmill.

   Contrast this equipment with modern power machinery which performs the same tasks more efficiently and with less human power. Students will conclude that the stage of technological advancement and availability of tools and equipment will largely determine how production is accomplished.

3. **The pioneer family had to resolve the scarcity problem by producing most of the goods and services it consumed. Thus, the pioneer farm family was quite independent in determining what it would produce as well as how and for whom the goods and services would be produced.**
   a. Have students list or draw pictures of goods produced in the pioneer home.
   b. Have students contrast the ways that the same goods are obtained by modern families.
   c. Have students role play 'work inside the home' and 'work outside the home' on a farm in the pioneer days of Oklahoma. Determine which tasks each family member might perform by talking with elderly neighbors or relatives and by reading books about the early days of Oklahoma.
   d. Have the students consider why pioneer families tended to have many members and note the contribution each member made to production. Discuss why an entire community would often help a new family build its house or barn.
   e. Read about 'husking bees' and 'quilting parties.'
4. **As a society advances until the use of machines and equipment eliminates the need for most manual labor, individual workers become specialized and interdependent. The individual family no longer functions independently in producing goods and services primarily for its own consumption.**
   a. Have several class members indicate what jobs the major income earners of their respective families perform outside the home. Have them determine whether this work is primarily the production of goods or services for other people. Next, have the students list some of the items families buy and observe whether most of these items were or were not produced by others. Students may then come to the realization that most workers produce specialized goods and services.

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GT b. Have students locate newspaper articles which show goods or services being produced. Have students identify how it is produced and for whom it is produced. Have students talk about why the product is wanted.

MC c. Have students role play an important business person who is explaining our private enterprise system to members of a delegation from a country having a centrally-directed economy. Have students think of questions as members of the foreign delegation. Have students prepare a handout that might be given after the talk.

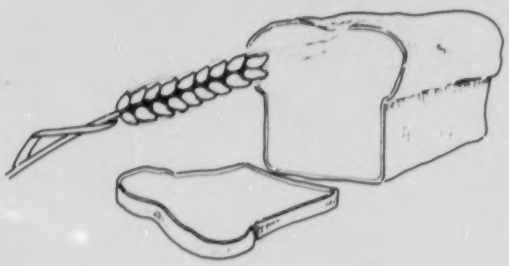
NEED FOR AN ECONOMIC SYSTEM

Grades 4-6

1. **Every economic system must determine what goods and services will be produced.**

   Students might study a tribal society having a traditional economic system for the purpose of comparing goods and services produced in that system with those produced in a competitive free enterprise system. For example, compare the goods and services produced by tribes in Oklahoma with economic goods and services produced in Oklahoma today. Discuss why consumer goods are de-emphasized in Russia and China while capital goods and military equipment receive greater emphasis. Who makes these decisions?

2. **Every economic system must determine how goods and services will be produced.**

   Have students make a survey to determine how natural resources in Oklahoma are being converted into consumer goods. For example, what is now being manufactured in Oklahoma that was once produced in the home or was not produced at all? Consider the specialized assembly lines for producing automobiles in Detroit. In what economic system (traditional, centrally-directed or private enterprise) would you most likely find a slave labor camp? In which system would the method of production vary least over the years? Note the importance of a profit incentive for saving and investment by American citizens.

3. **Every economic system must determine for whom goods and services will be produced.**

   a. Problem Situation: The Jones family of four has an income of $5,000 a year; the Smith family of four has an income of $10,000 a year. Ask the students which family is able to buy the most goods and services.

   b. How do families get dollars? How is this process related to the kind of economic system we have? Note that the free-enterprise system provides opportunities for individuals to improve their income status through innovative productive inputs. Consider the life story of several people who have achieved wealth after having been comparatively poor. Whom would you expect to receive most of the wealth in a centrally-directed economic system?

4. **Economic systems have always varied widely because of differences in cultures, governments and technology.**

   a. Divide students into small groups (four or five in a group). Name countries or areas having different cultural backgrounds, e.g., in religion, social activities and education, as well as different forms of government. Have each group study a different country or area to find out.

      (1) Is education available for all people or only the wealthy? If so, is it provided by private or public funds?
      (2) What job opportunities are available?
      (3) What government aid is available for the aged, the unemployed, the orphaned?
      (4) To what extent does the government control the production and distribution of goods and services?

      e. Note special cases: e.g., starving people in India not eating sacred cows and certain religious groups who will not ride in automobiles or use tractors for farmwork.

5. **Economic systems have tended to fit one of the following categories: traditional, centrally-directed or free enterprise.**

   a. Help students recall what they have learned and have them insert appropriate names of countries in the following chart on economic systems (perhaps after listing the major characteristics of each system).

TRADITIONAL	CENTRALLY-DIRECTED (totalitarian)	FREE ENTERPRISE

GT b. Students will work in small groups to develop how they think an economic system might best answer the **what, how and for whom** questions. Then have each group justify its decisions to the entire class, which then votes on the procedures considered best for resolving the questions. The final step involves comparison of the elected procedures with the manner in which a private enterprise economy resolves the questions.

Consumption

CONSUMPTION

Our use of goods and services to satisfy personal wants is called **consumption.** Everyone is a consumer of goods such as food, housing and clothing as well as a consumer of the services of doctors, dentists, salespersons, etc. The extent to which a person can consume goods and services beyond those considered essential as the 'bare necessities of life' is limited by income, buying skills and capacity for credit. The economist distinguishes between the consumer goods we use up directly and the capital goods, e.g., tools and machinery which are used to produce more goods and services.

We use up some consumer goods, such as food and fuel quickly, and other goods, such as cars and houses, more slowly. The rate at which specific goods are consumed is important to individuals and families as they budget purchases to conform with their income. Consumption is also important to economists as they study the rate at which specific resources are required for producing consumer goods and services. Many people are employed in producing consumer goods and services because there are extremely few useful 'goods,' e.g., air, so abundantly available in their natural state that they are free to the consumer.

CONSUMPTION

Grades K-3

We are all consumers of goods and services and must develop effective budgeting, spending and saving skills.

1. **Every member of a family is a consumer of goods and services.**

   a. Have students role play an imaginary family in different situations to show that all human beings are consumers:

      (1) a family at breakfast
      (2) a family on vacation
      (3) a family at a city park
      (4) a family in a shopping center
      (5) an invalid relative at home

2. **Some consumer goods may be consumed quickly and other goods are consumed slowly.**

   a. Ask students to collect and display genuine items or to draw pictures of items which they consume every day, e.g., food, clothing, toys, pencils, paper, etc. Have the students display the items or pictures in two separate groups;

      (1) items that last a year or longer and are used over and over
      (2) items that are consumed more quickly

   b. On one side of the chalkboard list items that are consumed slowly by students' families, e.g., automobile, TV. On the other side list items that are consumed immediately, e.g., ice cream, water, paper towels.

3. **All families use consumer goods and services that satisfy primary wants for food, clothing and shelter.**

   Give students a list of words and ask them to circle the primary wants or necessities. This list might include house, boat, horse, football, turkey, coat, light bulb, stove. Ask students to justify the reasons for their choices.

4. **Families have secondary wants for consumer goods and services that make life more satisfying.**

   From the list in the previous activity, have students draw a square around each secondary want.

5. **Planning and budgeting help consumers allocate their incomes wisely.**

   Allocate each student a $75.00 budget to buy winter clothing. Ask students to select necessary items from price lists in newspaper ads and catalogs. Assume that all present winter clothing has been outgrown.

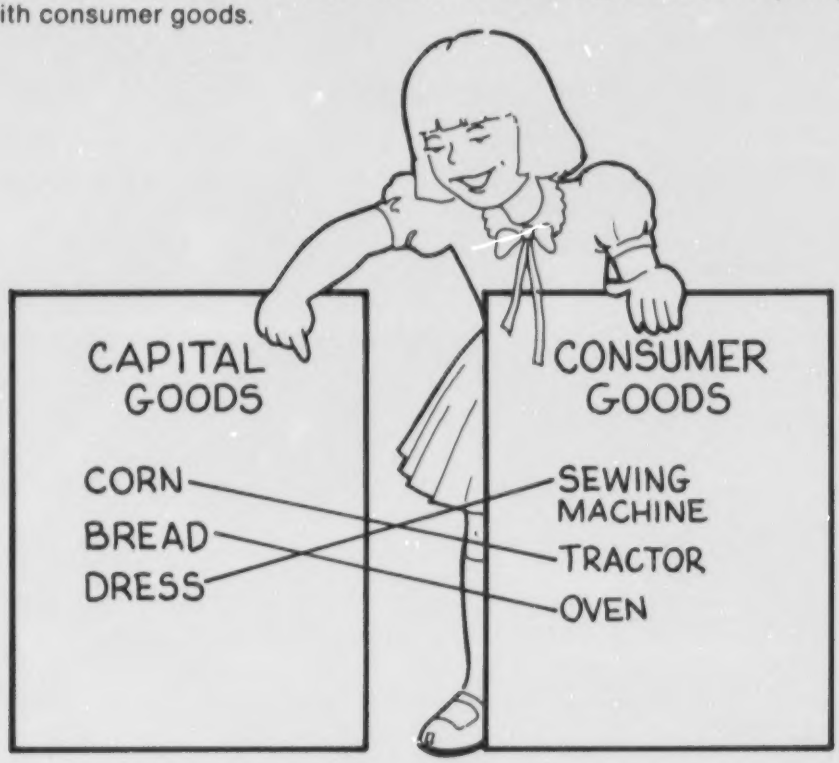
6. **A family or an individual may wish to postpone present consumption of certain goods or services in order to save for future purchases. Families may place their savings in financial institutions to earn interest income.**

   Ask students to name something which they want very much and then have students tell what items or pleasures they would need to give up in order to

obtain the desired item. If the item will require saving over an extended period of time, discuss the desirability of putting the money in a financial institution to draw interest and for safe keeping.

7. **Consumer goods and services satisfy a family's wants directly but capital goods are the tools and machines that are used to produce the things we consume.**

   a. List combinations of consumer goods and capital goods, e.g., cake and mixmaster, corn-on-the-cob and tractor, hamburger and food grinder, etc. Scramble the possible combinations and have students match capital goods with consumer goods.



GT b. Have students list many things that can be done with familiar objects such as an orange, an orange juice can, a clothes pin, etc. The goal is fluency in responding. Creative new ideas for consumption are the desired outcomes.

   c. Have students list or draw some things an archeologist might find in 2080 which would show habits of consumption in 1980s. Make an exhibit of some objects.

BUDGET BONANZA

Provide each student with a budget game board and a situation grid provided on the following pages. Ask students to choose 20 situation squares. Have students cut and paste the squares randomly on the game board. Require that food, clothing and housing items be included among those selected from the situation grid.

Provide each student with a token and a budget sheet. Begin the game by announcing that each student wil be given a $1,000 budget for the month. Enter the amount on the budget sheet, then, call the numbers one, two or three and ask students to move tokens accordingly on their game boards.

On the budget sheet, add or subtract the amount as indicated by the situation square to which the token was moved. Continue randomly calling one, two or three until all squares nave been passed in sequence as numbered on the board. Have students determine their budget balances. After playing the game, discuss the following:

1. Were all the basic needs met?
2. How many luxuries were included in your budget?
3. Which student ended the game with the most money? Why?
4. Which student ended the game with the least money? Why?
5. Is this budget realistic?

Return to the gameboard and ask students to determine a more realistic budget.

Budget Bonanza Game Board

1	2	3	4
8	7	6	5
9	10	11	12
16	15	14	13
17	18	19	20

Consumer Budget Sheet

Use actual or pretend allowance and prepare a weekly budget.

THE BUDGET OF _____

ITEM	COST	BALANCE

Consumer Situation Grid

RENT DUE **$215**	DOCTOR'S BILL **$25**	INTEREST ON LOAN **$50**	ELECTRIC BILL **$95**	COMPANY COMING EXTRA GROCERIES **$45**
NEW LAWNMOWER Downpayment **$200**	MOTHER'S BIRTHDAY **$35**	FOOTBALL SEASON TICKET **$90**	ADD TO SAVINGS **$50**	NEW GLASSES **$85**
WATER AND GARBAGE BILL **$35**	SAVING FOR VACATION **$50**	TELEVISION REPAIRWORK **$125**	NEWSPAPER BILL **$15**	GAS BILL **$75**
DOG SICK VETERNARIAN BILL **$25**	RENT INCREASE PAY ADDITION **$50**	INSURANCE **$175**	NEW BOAT Downpayment **$225**	NEW SCHOOL SHOES **$40**
GASOLINE **$100**	SOCCER SHOES **$35**	SCHOOL SUPPLIES **$20**	MOVIE AND DINING FOR FAMILY **$45**	TAXES **$215**
GROCERIES **$150**	CHURCH DONATION **$50**	DENTIST **$65**	LUNCHES **$46**	NEW JEANS **$21**
NEW SHIRT **$15**	PRESCRIPTION DRUGS **$20**	WON A PRIZE Add **$50**	GROCERIES **$125**	PAINT **$50**

CONSUMPTION

Grades 4-6

1. **There are not many non-economic (free) goods available for consumption.**

   Have students list goods they consider free to them (e.g., water, air, scenic areas). From this list, have students discuss situations in which these goods cease to be free because of a change in their use. For example, scenic areas when made into parks require upkeep and are no longer free, someone must pay.

2. **Many people earn money income by producing consumer goods and services for the market, but not all consumers are producers.**

   Students might report on the occupations of members of their respective families and indicate why the particular occupation was chosen. Discuss why every consumer is not a producer.

3. **In the long run, family consumption can be no greater than family income.**

   Have students prepare budgets for different hypothetical families of varying size and varying levels of income. In addition to various household and transportation purchases, consider also insurance, charity contributions, interest payments, savings and investment, recreation, etc. Have a local money lender describe to the class how some families **overextend** themselves in debt until they are unable to make monthly payments and thus lose the item purchased. Discuss the **pros and cons** of renting versus buying housing under various family circumstances.

4. **The consumer has certain specific legal protection and remedies in federal, state and local laws.**

   Have the students research consumer protection laws, e.g., Oklahoma's Uniform Consumer Credit Code and the Pure Food and Drug Acts.

5. **Spending creates jobs for people who produce consumer goods and services.**

   Have students consider what would happen to workers employed in a local store, ice cream parlor, or grocery store if customers suddenly decide to shop elsewhere.

6. **Consumer preferences for specific goods and services vary within and among societies.**

   a. Divide the class into several small groups, each representing a family in some specific area of the world (or region of the United States). Have student groups read and study about the needs of people in their assigned regions and then role play how wants differ among families in different regions.

GT b. Students investigate how companies deal with customer commplaints. Letter writing and interviews may be utilized to obtain the information. Students may also analyze companies' advertising campaigns aimed at children (such as on Saturday morning television programs).

   c. Students advertise a **product** to sell at school. An unadvertised product is sold as well. Results of product demand are compared and conclusions are reached about the importance of aggressive marketing of goods and services.

MC d. Students may use the microcomputer and illustrate the budget they have prepared. A copy (printed) of the computer program is available from the State Department of Education.

The Role Of Money

THE ROLE OF MONEY

In our modern, complex economy, money is absolutely essential to the specialization of tasks that has permitted the average American to attain an ever higher standard of living. This specialization and interdependence would have been impossible if the members of our society had been forced to barter for the goods and services they needed. For instance, a barber needing a house could hardly expect to find a seller needing enough haircuts to pay for it!

Anything can be used as money if people will accept it in exchange for goods, services and resources. In the past, many commodities, such as shells, tobacco, and gold have been used as money. We now use coins, currency and demand deposits as money in exchange for economic goods and services. Most final payments, except for incidental personal items, are made by check, and consumers are making increased use of credit cards.

Money has three primary uses. First, money is used as a medium of exchange for economic goods and services. Second, money is used as a means of expressing the value of goods and services. Third, money is used as a store of value--making it easier for people to save for future purchasing.

Coins, currency and demand deposits are stored or saved when not needed for immediate purchases. Financial institutions pay interest to savers for the use of their money. These financial institutions then make the savings of individuals available to business investors who need additional funds for the purchase of capital resources. As an individual must also pay interest for the use of borrowed money, interest cost and repayment obligations should be fully understood. In Oklahoma, certain protection for small-loan borrowers is provided by the Uniform Consumer Credit Code. (This code is administered by the State Department of Consumer Credit.)

Savings are of utmost importance if a nation is to achieve economic growth. Businesses retain some of their own earnings for investment in new facilities and equipment, and they secure other funds from financial institutions. The resulting economic growth provides job opportunities for more of our citizens. In its efforts to keep the supply of available funds in balance with the money requirements of the economy, the Federal Reserve System exercises certain controls over the availability of credit by the nation's banks.

As the money income of most families is limited, individuals must make choices as to whether or not they will spend today or save for the future. Saving for future purchases requires one to forego the opportunity of buying today. Conversely, the cost of spending today is foregoing the chance to use present dollars plus earnings to better satisfy wants in the future.

DEFINITION OF TERMS

barter	The direct exchange of one commodity or service for another without the use of money
coins	The metal items used as money
commercial bank	A financial institution whose primary function is to accept deposits and extend loans
currency	The paper bills used as money which are issued by the Federal Government or its agent
demand deposits (checking accounts)	The money placed in financial institutions upon which checks can be written, and other forms of immediate withdrawal used; at the request of the owner of the money, the banks will pay the money to whomever the owner wishes.
dividend	A payment to owners of corporate stock from net income as authorized by the corporate board of directors
economic growth	An economic condition which exists when members of communities, regions, and nations are steadily better able to satisfy their wants because of per capita increases in production
Federal Deposit Insurance Corporation (FDIC)	A public corporation created by the United States government in 1933 to insure deposits in banks and thereby protect depositors against loss in case an insured bank fails or suspends payments to depositors
Federal Reserve System	A system of federal banks, one in each of 12 federal reserve districts of the country, a Board of Governors, a Federal Open Market Committee, a Federal Advisory Council, and member banks which include all national banks and other such institutions who apply and qualify for membership. The primary function of this system is to control the nations' money supply to achieve growth and price stability
financial institutions	Businesses, such as banks, small-loan companies, savings and loan companies engaged in the economic activity of borrowing savings of individuals and businesses and, in turn, lending the monies to other individuals and businesses
inflation	A widespread rise in the prices of goods, services and resources
interest	Payment for the use of money owned by someone else
money	Checks and related credit cards, coins and currency acceptable as final payment for resources, goods or services

THE ROLE OF MONEY

Grades K-3

Money is used as a medium of exchange for buying, a store of value for saving and investing, a means of comparing the value of goods and services.

1. **Money is now accepted in payment for goods and services. In early America, families traded for what they needed. This trading was called barter.**

   From illustrative stories, have the students role play bartering in early America. Perhaps begin with bartering between two individuals, e.g., one person having a chicken to pay another who is a barber. Then assume the barber doesn't want a chicken and consider how the problem might be overcome as other students enter the bartering with different goods or services to exchange.

2. **Historically, developing societies have used many different things for money (e.g., stones, cattle, salt, cacao seeds, beads, furs and tobacco) in an effort to improve upon the barter system.**

   Have students discuss, write stories and prepare charts on the various commodities that might be used for money and the difficulty which would be encountered in storing and transporting these things. Discuss why using these commodities for money would not be satisfactory in an advanced economic system.

3. **In advanced societies, the government is responsible for developing a money system; however, money is valuable only to the extent it is acceptable in exchange for goods and servides.**

   a. Have the students discuss why dollars, dimes or quarters will be accepted by any merchant or individual in the United States for goods and services. Then role play the greater convenience of using personal checks to pay for purchases, especially those costing many dollars and those involving payments to sellers living in different cities or states.

      Related questions:

(1) Does the United States Government guarantee the payments we make with credit cards or personal checks?
(2) What determines whether a personal check is good or is worthless?

b. Have students use the currency and coin worksheets to create their own money designs to display and discuss.

4. **Money is a convenient means of comparing the prices of goods and services.**

Have students list various items they would very much like to buy and the selling prices of these items. Discuss how much more difficult it would be for us to decide what to buy if we had no money prices to consider in comparing one item with another. Note that how much we buy of a certain item will be largely determined by how **high** or **low** its posted money price seems to us.

5. **Families usually save by putting money in a bank or other savings institution which pays them interest.**

a. Have students set up a simple banking operation wherein they role play the banker and savings depositor. Discuss the advantage of saving and earning interest income, when feasible, to purchase major household applicances, an automobile, and the like. Notice also the extra costs of always buying as much as possible on credit. Consideration should be given to possible **inflation** as well as the possibility of temporary unemployment.

b. Take the class on a field trip to a bank for a **real-life** study of their operations.

6. **Money paid to one person or firm tends to generate a chain of further spending which increases the overall level of economic activity.**

a. Role play the chain of further spending which may result from the purchase of some goods such as a $10.00 pair of shoes. From the $10.00 selling price, the shoe store owner must use $7.00 to pay the shoe wholesaler, $.50 to pay the building owner for rent, $1.50 to pay the store employee's wages, $.50 for personal savings and spending. Students may assume each of the roles implied and role play how they will use the money paid them by the shoe store to make still further payments of their own so that the initial $10.00 purchase results in an increase in overall buying and selling in a community.

GT b. Have students visit a bank; ask an officer about current problems (interest rates, etc.) and how his bank is making an effort to solve these problems. Ask what new technology is used and observe it in opration. As a follow-up the next day, have students pretend they are employees. Have each student make a suggestion for a suggestion box. Have students share and analyze the recommendations.

c. Compare banks of 100 years ago to banks today (drive-ins, etc.).

d. Have students brainstorm or draw a picture of a bank as they expect it to look in the year 2000.

e. Have students answer questions: How would a modern bank in Oklahoma look to George Washington? How would a modern bank in Oklahoma look to someone from a small town in Mexico?

COINS

Design an original coin. Be prepared to tell the following:

Name _____

_____

_____

Amount _____

Use _____

_____

_____

Made of _____

_____

_____

CURRENCY

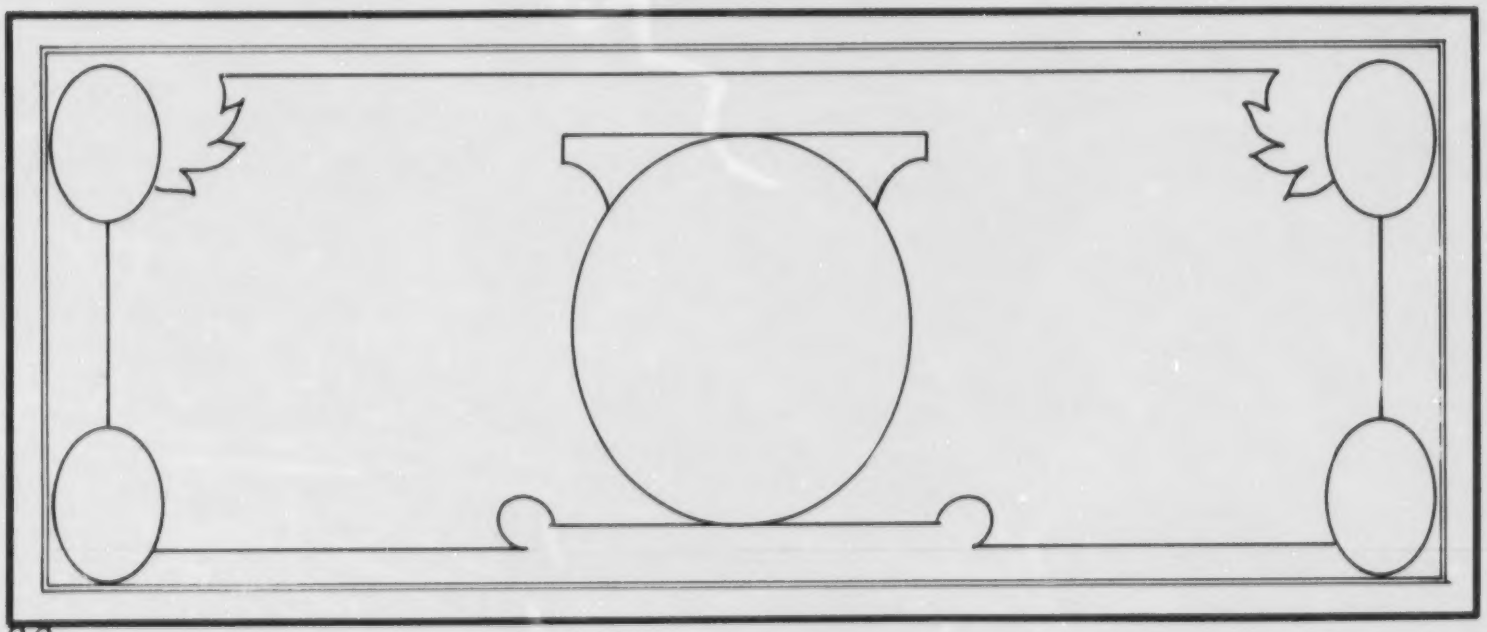
Design an original bill. Be prepared to tell the following:

Name _____

Amount _____

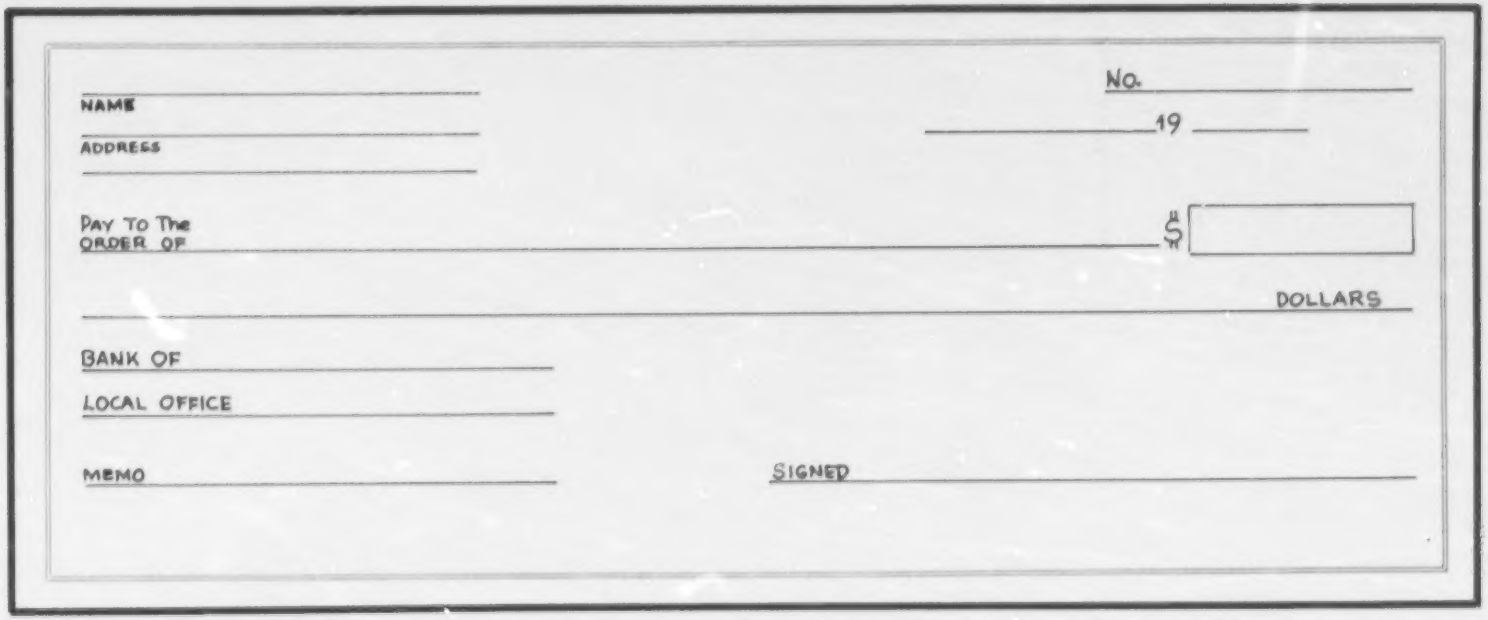
Use _____

Made of _____



CHECKS

Learn to write a check. Be prepared to tell about the uses of a check.



THE ROLE OF MONEY

Grades 4-6

1. **Saving makes funds available for capital formation.**

2. **Spending of savings for capital formation is called investment. Investment provides for better tools and equipment to produce more and/or better consumer goods and services in the future.**

   a. Have the students gather information about capital goods and machines that have made it possible to produce more consumer goods or services. Consider equipment used for work in the home as well as the **business world.** List those items and then discuss the essential role of savers and investors who provide the necessary funds for the production of this equipment.

   b. Discuss why it is difficult for savings and investments to occur in underdeveloped countries, e.g., Nigeria, Ethiopia and India where many people earn hardly enough for bare subsistence.

      What capital goods would be important for each of the following persons:

(1) seamstress	(sewing machine)
(2) salesperson	(automobile)
(3) paper carrier	(motor bike or bicycle)
(4) person who mows lawns	(power mower)
(5) secretary	(electric typewriter)

      Note that the bicycle would be capital goods for the paper carrier who uses it to produce an economic service. (The bicycle would be consumer goods if the owner used it only for pleasure.)

   c. Have the students list new capital goods which they believe will be developed to produce consumer goods and services in the future. Beside each item, students should indicate whether they would be willing to invest some of their personal savings in companies which would try to produce these capital goods. Discuss the risk involved in all business investments.

3. **The process of saving requires giving up present consumer goods for future goods. However, savers may receive interest or dividend payments for the use of their money.**

4. **A bank is a business which receives, lends, exchanges and safeguards money. Other financial institutions such as savings and loan companies also perform a specialized role in making savings available for lending.**

   a. Students list the various ways they might earn income by letting others have the temporary use of their savings, e.g., banks, savings and loan companies, credit unions, businesses, and individual borrowers. Discuss the following:

      (1) To what extent would the savings be guaranteed against pssible loss?
      (2) Would the proposed borrower be prepared to negotiate great numbers of loans from small lenders in order to get the amount needed?
      (3) To what extent would savers be able to get their money back whenever they need additional funds?

(4) Can the saver be assured of a definite rate of earning?
(5) Why not invest directly in a business?
(6) Why not invest via the stock market?

From these questions and related discussion, it should become clear that financial institutions serve an important intermediary role. They receive comparatively small amounts of savings from individuals and accumulate these dollars to make higher risk loans which their specialized staff officers are better able to evaluate than most individual investors.

These institutions strive to earn enough income from their investments to pay operating costs, interest or dividends to savers and still have a satisfactory level of profit.

b. After studying the functions of various financial institutions, perhaps via field trips and/or visiting speakers, have the class role play how savings are channeled from individuals into the mainstream of investment in the business world.

5. **Credit enhances economic growth.**

a. Students should contact local automobile and realty agencies to determine what percentage of people buy cars and homes on credit. Consider implications for automobile manufacturers. Confer with several local business persons to see how many depend on some form of credit in their operation. Check with home appliance stores to find what percentage of their customers buy refrigerators, washing machines and color television sets on credit. From these discussions, it should become clear that the advanced system of mass production in the United States would not have been possible without credit. People are able to buy homes and high-cost appliances on credit and enjoy using them while making the **easy** monthly payments.

6. **To 'shop' effectively for the best possible finance terms, a borrower must understand the interest cost of credit.**

Students explore the various sources for borrowing money in the community and report on the different interest rates which are charged. Discuss why different institutions find it necessary to charge different rates. Have students work problems to determine the impact of interest rates on borrowing costs and also report on the major provisions of Oklahoma's Uniform Consumer Credit Code.

7. **Most money available in American banks for immediate use is in the form of demand deposits (checking accounts).**

Students should ask a local banker for information on the approximate value of currency and coins in comparison with the value of checking accounts in his bank on a particular day. Inquire about the common problems depositors have with their checking accounts and about the check clearing procedure when a depositor makes a check payable to someone in a far-away city. Ask about depositor's protection under FDIC.

8. The value of money is reflected in the quality and the quantity of goods and services it will buy.

a. To illustrate that money has no intrinsic value, have the students discuss the following situation:

You are on a deserted island with 100 one-dollar bills. What good is this money to you?

(1) You are hungry. Can you buy food? Can you eat the money?
(2) You need warm clothing. Can you use the money to buy clothing?
(3) Will it protect you from the sun, rain, wind?

(NOTE: Money is only a claim on goods and services which are for sale.)

b. To recognize price changes and relate the value of money to the quantity and quality of commodities, have students compare prices of a few items now with the prices of these same items 10 years ago and 20 years ago. They may secure this information from parents or local merchants. Note that the quality of some manufactured products such as automobiles, television sets and refrigerators may have improved.

c. Since a dollar today will generally buy less than it would 20 years ago (a condition economists term **inflation**), what are the implications for people who held savings in checking accounts without earning any interest income for several years?

GT d. Students set up a corporation for the production of a school newspaper. Working with a local bank, an application for a loan is initiated to gain beginning capital for the purchase of paper and typist services. As the production is completed, the loan paid, and profit acquired, students may invest profits and become share holders for another round of production after they discuss the importance of money and credit for economic activity.

MC e. Three microcomputer problems which can be keyboarded by students are available from the State Department of Education. One program illustrates a simple checkbook activity (checks, deposits, etc.). One program illustrates savings. One program shows interest costs and payments.

The Market Economy of the United States

THE MARKET ECONOMY OF THE UNITED STATES

Largely through their actions in the market, U.S. citizens resolve the basic economic questions of what, how, and for whom to produce. A market is the process whereby buyers and sellers come together. Because of modern means of communication, buyers and sellers no longer have to be in the same physical location to accomplish a sale or trade.

The market price relates buyer and seller willingness and ability to purchase or offer certain goods, services and resources for sale. Price reflects the value the buyer or seller places on the goods, services or resources. Skilled labor is more productive than is unskilled labor; consequently, the employer is willing to pay a higher wage to the more productive worker. Under normal circumstances, a diamond yields greater want-satisfying power to a consumer than does a glass of water, therefore, the consumer is willing to pay a higher price for the diamond.

The modern economy of the United States is often described as a basically private enterprise economy mixed with comparatively limited government involvement. Citizens are free to own property, to enter into contracts, and to make decisions about the use of their property. Business people are motivated by a desire to earn profit, and potential or actual competition from other businesses helps assure that consumer desires will be served effectively.

In this market system, the question of what goods and services should be produced is determined primarily by the customer. Businesses are motivated by the desire for profit to produce just what the consumer wants. If the consumers are not willing to buy goods at a price greater than the business cost of producing the goods or services, then businesses will incur a loss and shift from the production of those goods to the production of other goods or services which are desired by consumers at a price higher than the cost of production.

The question of how the goods and services should be produced is determined by the desire for profit on the part of businesses. Businesses are constantly striving to find more efficient methods of producing goods and services, which will, in turn, lower their costs and enhance profit. The desire for profit also stimulates businesses to seek new goods and services for the satisfaction of consumer wants. Competition limits any business opportunities to exploit the consumer. When an industry becomes excessively profitable, new business firms move additional production into that industry, increasing the availability of certain goods, and in turn, decreasing the selling price. These events often occur when a successful new product, such as the pocket calculator, is first marketed.

The market also determines for whom the goods and services should be produced. Nothing is free. Everything has a cost. Thus, the goods and services are generally distributed only to those individuals with an income sufficient to pay the price. Competition among producers helps insure the efficient production of goods and services at comparatively low prices to consumers. Although the majority of economic decisions are made in the market, there are some functions which the market mechanism cannot provide effectively. For example, it has been determined to be in the best interest of society for various levels of government to assume the tasks of providing education, protection of property and life, and a judiciary system.

DEFINITION OF TERMS

demand	At a given time, the quantities of goods, services and resources that purchasers are able and willing to buy at all possible market prices
market	Any situation in which exchange takes place; in an advanced economy with modern communications and marketing systems, the buyer and producer of goods or services may never meet face to face.
rent	The periodic payments to owners for the use of their land, buildings, machinery, etc.
supply	At a given time, the quantities of goods and services owners are able and willing to offer for sale at all the possible market prices
utility	The ability of a good or service to satisfy a human want; it is a subjective appraisal depending upon the marginal satisfaction derived from the consumption of the final unit of a particular product

THE MARKET ECONOMY OF THE UNITED STATES

Grades K-3

The major components of the private enterprise market economy are profit, competition, consumer direction, limited role of government and free market pricing. Together, these elements, through the interaction of buyers and sellers, determine what, how and for whom goods and services are produced and distributed.

1. **Transactions for the exchange of goods and services between the buyer and the seller are made through the market process.**

   Take the students to an auction where they can witness the competitive bidding of buyers. Discuss how buyers determine how much they will bid for an item. (They probably have general knowledge of the item's price in other communities and they weigh their immediate desire for the item against their conception of the going market price for it.) Notice that sellers may also bid on their own product at an auction if they aren't satisfied with the prices that buyers are offering. With play money, the student may role play the purchase of goods at an auction.

2. **Buyers and sellers sometimes do not meet 'face to face,' but may deal with each other by telephone or mail. Sometimes buyers may employ agents to represent them in conducting business transactions.**

   Have the students review a mail order catalogue. Simulate placing an order and role play all of the activities which follow until the order is delivered at the student's residence. Discuss buying via the telephone and newspaper order forms.

3. **Generally, sellers want to sell at the highest price possible and buyers want to buy at the lowest price possible. Price in a given market is determined by supply and demand.**

   Ask the students to explain why sellers want to sell at the highest possible price. Then, ask the students why buyers want to buy at the lowest possible price. Other points for discussion: When a buyer and seller agree on a price at which they will trade, does this agreement influence the general price for that item? Do both the buyer and the seller benefit from a market transaction?

4. **Effective demand depends not only on the buyer's desire and willingness to buy goods or services, but also on the ability to pay for the.**

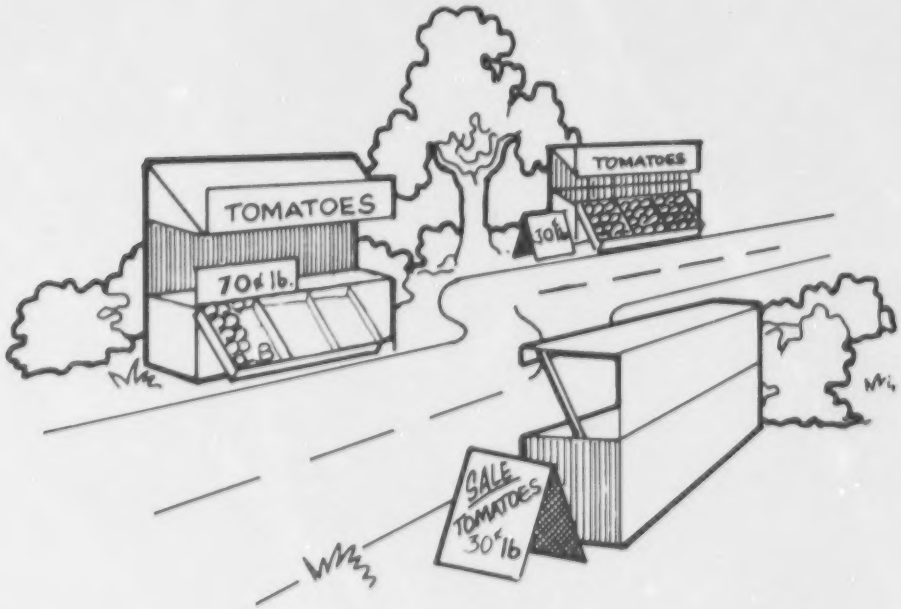
   Ask the students if they would like to buy a new car for their family. Then, ask the students how many will actually buy a new car for their family within a week. Note that there is no **effective demand** for a car by any of the students unless some are both able and willing to make such a purchase.

5. **When many people are demanding a particular good that is in short supply, the price tends to increase.**

   Have students draw pictures of something that is much in demand but very scarce, e.g., a certain kind of doll, car, bike or clothing. Discuss the effect of demand on price when the item is scarce and what will happen to price when items become plentiful or are less in demand. For example, have the students find what happens to prices of certain toys before and after Christmas.

6. **When people want to sell large quantities of a particular good for which there is little demand, the price tends to decrease.**

   a. Ask students to suppose all families in a small town have gardens and raise their own tomatoes. Discuss how this production would affect the price of tomatoes in the grocery store. Suppose some of these people had more tomatoes than they could use and wanted to sell them. Why might they need to sell at a lower price in this town than in another one where there were no gardens?



   b. Have the students compare the probable effect of each of the following situations on the price of bikes:

      (1) One hundred buyers who have money and want to buy bikes but only 10 bikes for sale
      (2) One hundred bikes for sale but only 10 buyers who have money.

7. Demand for a good or service may be increased through advertising.

a. Have each student clip an ad from the newspaper or a magazine. Tell why this particular ad would make people want to buy the product. Discuss catchy slogans, trademarks and colorful packaging that help sell the products e.g., cereal boxes that contain prizes or cutouts. Discuss the advantages and disadvantages of advertising. Note that many good products are never marketeed because the developer is not able to establish an effective sales program to reach the consumer.

GT b. Have students list some factors that might help candy store owners predict sales for the months of December, January and February.

c. Have students confer with local merchants to determine how retail stores price their products and what they do when a certain item remains on the shelf a long time and doesn't sell. Have students develop their own strategies, other than lowering the price, for selling long-time shelf sitters. Have students report their findings to the class.

Label each picture as a **GOOD, a SERVICE, a BUYER or a SELLER.** Write an explanation of why you identified each picture as you did. Discuss your choices with the class.

THE MARKET ECONOMY OF THE UNITED STATES

Grades 4-6

1. **The utility of a good diminishes as the user consumes more and more units of that good.**

   Discussion questions for students:

   a. What would you do if at Christmas time or on your birthday you received two of the same things; for example, two pairs of skates, two hot-wheels sets, two sweaters exactly alike? In each case, would you be more thrilled when you received the first item or the second item of the pair?

   b. Assume your mother has baked a fresh pie and told you to eat as much as you wish. Which would taste best--the first, the second or the third piece? Which piece would you enjoy the least?

   c. Discuss this diminishing utility of additional units of production as an important reason why the price must be reduced if more and more units of a particular good are to be sold at one time. If twice as many cars had been produced last year, what would have happened to car prices?

2. **Market prices serve to ration and to allocate available goods and services.**

   Discuss the way prices served to control the distribution of pocket calculators when they were first produced. (Their prices were comparatively high and few people bought one. However, as more sets became available, competition forced a reduction in prices.)

3. **Laborers exchange their services in the market place for income in the form of salary, wages or fees.**

   a. Ask students who do part-time work to explain the nature of their employment and the income received. Ask how much they would charge for the following services:

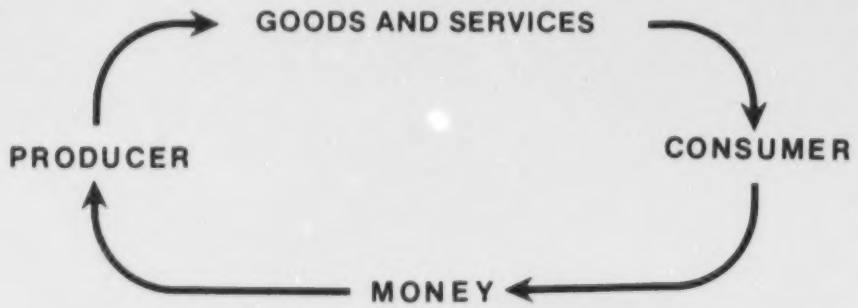
      (1) mowing a yard
      (2) delivering newspapers for a week
      (3) sewing doll clothes to sell
      (4) babysitting

4. **In the market, the price paid for the use of land is called rent and the price for the use of money is called interest.**

   Discuss how supply and demand forces serve to establish market prices for different labor services just as these same forces result in prices for a multitude of consumer goods. Supply and demand forces also determine the price of rent and the level of interest. Consider what would happen to rental prices in a town experiencing a great economic boom with much new industry.

5. **Goods produced by business must be sold to consumers to provide money for the next round of production. If the business owner correctly forecasts effective consumer demand and the cost of production, a profit is made. If the forecast is incorrect, the business suffers a loss.**

   This circular flow in the market mechanism can be illustrated as follows:



   a. To illustrate the circular flow of money, goods and services, have the class discuss and perhaps chart the purchases consumers make at local businesses during a given period of time and the business use of this income to make more goods available for consumption. Discuss the many marketing functions which may be involved in moving goods from a producer to consumers (transporting, financing, storing, insuring, selling, etc.).

   b. To inject a marketing problem area into the producer's role, suppose the class (as producers) had a successful bake sale one sunny Saturday with consumers buying everything produced. Then with the money received, the class pays its bills and bakes twice as many items for sale the following Saturday, but bad weather keeps consumers at home. Discuss what can be done about unanticipated loss resulting from this calamity. How would students forecast production for the next sale?

6. **The action of business firms competing to sell similar products tends to lower market prices.**

   Have the students discuss what they would charge for the bake items (activity 5b) if another class were to have a bake sale in the same locality.

7. **In providing a few basic services, the government modifies the role of the market in order to provide for the common welfare more effectively.**

   a. Discuss why we do not rely on the market economy to provide our needs for education, police and fire protection, regulatory measures and the courts.

GT b. Students form teams of two and draw cards naming a production activity from a **Producer/Goods and Services** box. Teams make store fronts depicting their wares and/or services. A portion of the class is given play money to make purchases. Additional contingencies are added as the consumers draw from a **complications** box. Example: A student may draw a dental emergency--$300.00--unexpectedly affecting his/her total dollar allocation. Students switch roles as the activity progresses.

AUCTION

Have students bring **WHITE ELEPHANTS** from home. Complete the auction ad and display in a central location. Allow students to create original coins and currency to use as money for the auction. Conduct a simulated auction in the classroom. (Invite a real auctioneer to donate his services.) After the auction discuss the interaction of buyers and sellers.

AUCTION

NO STARTING BID LOWER THAN: _____

TYPE OF MERCHANDISE:

PREVIEW TIME: _____ **AUCTION TIME:** _____ **DATE:** _____

NAME: _____

ADDRESS: _____

_____

The Economic Role Of Government in The American Economy

THE ECONOMIC ROLE OF GOVERNMENT IN THE AMERICAN ECONOMY

Since the beginning of time, people have tended to congregate. Early in the history of humankind, people tended to unite in family units and tribes. Later in history, people congregated forming cities, counties, states and nations. The tendency of people to assemble is based on the desire for economic well-being as well as the influence of customs and mores. When people unite, they are able to provide for the better satisfaction of their wants than they could achieve individually.

Broadly, democratic governments at all levels involve groups of people working together to solve problems for the satisfaction of their wants. Probably the oldest function of governments is protection of citizens from attack. During the era of feudalism, the serfs of a manor were protected from barbaric attacks by the combined resources of the feudal lord. American citizens now support the armed forces to protect themselves from attack by unfriendly nations. By maintaining and supporting fire and police departments, members of a city are protected from disasters.

As societies have become more complex, the variety and quantity of goods and services provided by governments have increased. In a basically private enterprise economy, the following economic issues are considered in deciding whether goods and services should be provided through the public section (government) or the private sector (individuals or businesses):

1. Can essential goods or services be provided by the private sector?
2. How efficiently can the goods or services be made available to the people we wish to serve?

In our complex economy, governments engage in many activities such as providing protection, a judiciary system, educational facilities, communications and transportation systems, a money system, welfare programs and special incentives such as patents to reward inventors and subsidies to encourage or assist certain economic groups. In carrying out these functions, governments are the buyers and sellers of goods, services and resources. Consequently, they influence the allocation of resources in our economy.

Historically, the role of government in the United States has grown. As the economy became more complex and with a few firms dominating certain industries, competition no longer seemed inherently available to protect the economic interests of the consumers and small producers. Therefore, beginning with the Sherman Anti-trust Act, the federal government has become a **regulator** of many aspects of economic activity. After the Great Depression and World War II, the federal government was assigned the responsibility of promoting full employment with price stability.

Governments receive income in the form of taxes from individuals and businesses. When governments impose taxes, they take money from individual citizens and businesses, and thus assume control over that portion of the nation's productive resources. In the United States, governments attempt to levy taxes fairly and justly, however, attaining this objective is no easy task. Governments, in turn, use the tax

income to pay for their services and for the many goods fabricated for governmental use. Expenditures by governments are a cost to government, but income to the individuals and businesses who receive these payments.

By adjusting the levels of governmental expendituers and tax rates, the federal government attempts to promote economic growth and stability. The extent to which government should be involved in the American economy is an issue which each generation must decide for itself.

DEFINITION OF TERMS

economic freedom	The American citizens' right to choose their own jobs, to buy and sell property, and to enter into or dissolve a business
income tax	A tax on the net income of individuals or corporations, usually with progressive rates; the most important source of federal revenue
monopoly	A market situation in which there is only one seller of a product, and there are no acceptable substitutes
property tax	A government tax on private property, the amount of tax based on property value, which is determined by government assessors
sales tax	A government tax computed as a percentage of the sales price of economic goods
Sherman Anti-trust Act	An act passed in 1890, prohibiting combinations or conspiracies in restraining of interstate trade and forbidding monopolies or the attempt to monopolize
stability	An economic condition over a period of time when the same amount of money buys the same amount of resources, goods and services; prices stabilize

ECONOMIC ROLE OF GOVERNMENT IN THE AMERICAN ECONOMY

Grades K-3

The government provides its citizens with various goods and services which are paid for by taxes.

1. **The economic and cultural opportunities available in cities have caused the cities to grow. The city government has had to expand its role with the growth of cities.**

   a. Have the students list common economic activities in an early American city, e.g., butcher, baker, blacksmith, innkeeper, etc. and the functions of city government that would have been necessary such as provisions for law and order, garbage disposal, fire prevention equipment and a few city ordinances. Have the students prepare a list of economic activities and governmental functions performed in a modern American city. The students might invite to the classroom local government leaders and other citizens who would be able to contribute useful information.

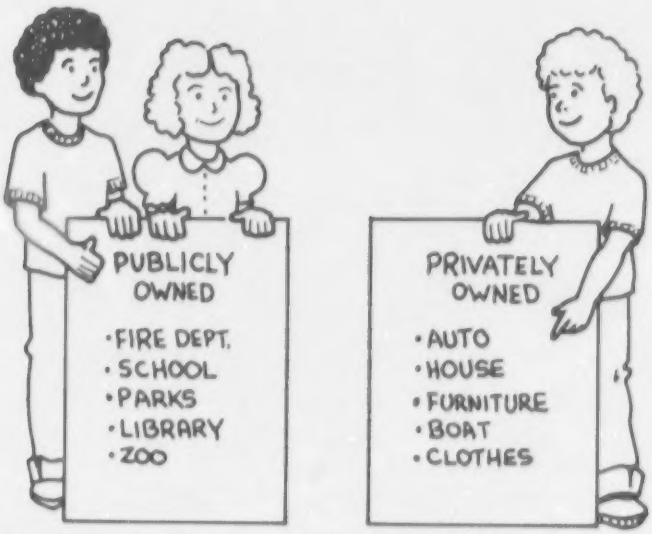
   b. Have the students compare their **long ago and today** lists, prepared in the previous activity, and arrive at conclusions concerning changes that have occurred, e.g., greater specialization in both the private and government sectors of the cities and the increasing functions of city governments. Students might also make recommendations on what additional changes are needed in the functions of city government. Findings, conclusions and recommendations can be presented on murals, in special displays or in student reports.

2. **Public capital goods are owned by the city government for use in providing goods and services to local citizens.**

   Take the class on a field trip to view the various capital goods (facilities) owned by the city, e.g., parks, water facilities, public office buildings, construction and maintenance equipment, fire station and equipment, police station and equipment, community building, civic center, recreation facilities, etc.

3. **The goods and services provided by the city government are paid for primarily by taxes. These are things people elect to buy together rather than as individuals because everyone will benefit in some way.**

   Have the students make posters depicting services provided by a city and the source of funds which pay for these services. Discuss to what extent each service benefits all local people. Consider why people who do not use a particular service of a city should have to pay taxes to support it (such as older people without a car paying taxes for roads and streets, people without children paying taxes for schools, etc.).



4. **Many cities conduct periodic campaigns to get new business and industry located in their geographic area.**

   Have students obtain information from a local chamber of commerce or the city planners about programs to promote economic development of the area. Discuss why these programs are important to a city.

5. **City government helps to keep the city orderly and sanitary.**

   Have students gather data from a local city all about some of the basic rules and ordinances dealing with traffic, sanitation, zoning, licensing, etc. Discuss the purposes of these regulations and the increasing complexity of such procedures in much larger cities.

6. **The people of the city determine the degree of government involvement in the local community.**

   Have the students list local elections (including any recent bond issues) which affect the role of local government.

7. **Today, more demands are being made of city government than were made in the past. Citizens should carefully weigh the cost of expanded services against their goals for the city and the benefits to be derived.**

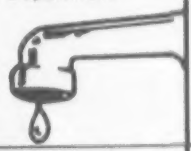
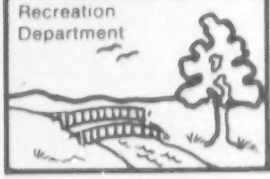
   a. Have students collect litter around their homes. Pose the following discussion question: Should a city hire persons to keep all yards clean or should this be left to each family? Have the students make **litterbug** posters.

GT b. Students secure pictures of water treatment processes--perhaps by visiting their local plant. After gathering additional information from library sources or visiting speakers, the students could analyze the natural, human and capital resources necessary to make water come out of taps. Have students make and demonstrate a tin can water filter prior to drawing a picture of some capital goods they might **invent** for use in a water plant.

c. From newspaper articles and other sources of information for study and discussion, have students review the work of a local water official. Continue this process throughout the year for maximum effectiveness and conclude by having students send the local newspaper their evaluations of the water department.

IMPORTANT CITY SERVICES

Ask students to imagine that the following goods and services have been removed from our city. What would the results be in each category?

	EFFECTS ON:		
IF THERE WERE NO:	**COMMUNITY**	**MY FAMILY**	**ME**
Sanitation Department			
Water Department 			
Law Enforcement			
Libraries			
Fire Department			
Recreation Department 			

ECONOMIC ROLE OF GOVERNMENT IN THE AMERICAN ECONOMY

Grades 4-6

1. **Local, state and federal governments produce both goods and services.**

   Students prepare separate bulletin board displays showing goods and services provided by the city government, the state government and the federal government. Discuss why these goods and services were not produced by private business for all the people.

2. **Government goods and services are provided primarily through taxation, but individual citizens do not all pay the same amount of taxes.**

   Invite a tax assessor to talk to the class about ways in which property taxes are assessed, collected and spent. Consider whether property tax is an expense to people who rent their homes. Have the class determine the major governmental uses of funds from the sales tax and income tax and consider the relative effect of each tax on high-income vs. low-income people.

3. **Capital goods purchased with tax money are publicly owned for use by all citizens.**

   Given a list of goods such as the following, have the students categorize the items under the headings **Publicly Owned** and **Privately Owned:**

highways	family automobile	school
fire department	furniture	vacation
parks	libraries	army
zoos	dams	telephones
family houses		

4. **Society may modify the market system by regulating business activity. Government provides checks against unfair trade practices, economic discrimination, monopoly and other acts contrary to the general welfare. Attention has been given to consumer 'protection.'**

   a. Ask students to give examples of ways in which the government regulates business activities. Consider the pros and cons of regulations such as the following:

      (1) bank examinations
      (2) meat inspections
      (3) food and drug inspections
      (4) the Uniform Consumer Code
      (5) price regulations or controls
      (6) government licenses to engage in business

5. **The government protects ownership and use of private property.**

   Have students read newspapers and interview parents and neighbors to find out how the government protects private property. In addition to basic police and fire

protection, consider also patents, copyrights, insurance of savings deposits, property titles and other legal protections for the property holder.

6. **The degree of government participation in our market economy is largely determined by the people. As the needs and wants of the people change, the role of government changes.**

   a. Discuss with the class the broad aspects of rules in relation to individual freedom. Note, of course, that some rules (such as stop signs) become essential as an economy develops and becomes more complex. Point up the student's future responsibility in shaping the role of government. Have students debate the 'pro' and 'con' positions concerning a particular governmental regulation.

GT b. At the beginning of a day, all teacher-imposed rules are suspended. The class must generate a new set of rules to govern class functioning. At noon, or some determined period, the group will evaluate the process to determine what, if any, changes in the rule structure need to be made. The revised rules are then to be in effect for the remainder of the day or some determined time period. At the end of the day, the entire process is evaluated by the group and related to the role of government in the American economy.

Economic Growth and Price Stability

ECONOMIC GROWTH AND PRICE STABILITY

Throughout history, people have constantly striven for a higher standard of living to better fulfill their wants. Over the years, most Americans have accomplished this objective, but citizens of many other nations have not been so fortunate. A society's ability to achieve economic growth is limited by the availability and quality of its productive resources. Americans have made great progress by upgrading their education and employable skills, investing in an increasing stock of capital resources and applying new technology. However, in a country such as India, advances in technology have been offset by increases in population. As long as the population of a nation increases faster than its productive capacity, each generation must suffer a lower standard of living.

The ability of a nation to increase its productive capacity is, in part, dependent upon the availability of natural resources. Although technological advances often serve to increase our stock of usable resources, conservation of natural resources is important for economic growth in the future.

A nation's ability to achieve a high standard of living is also dependent upon the quality and quantity of its human resources. In the United States, education is recognized as one of the most important ingredients for sustained economic growth. Education enables people to increase their productivity and better satisfy their wants with less effort than otherwise would be possible.

Capital resources, the tools and machines used in the production process, are another ingredient essential to economic growth. The tremendous growth achieved by the people of the United States has been greatly influenced by the application of an ever-increasing quantity and quality of capital goods. For instance, in the aerospace industry, improvements in alloys have required new machines and techniques to work with exotic metals.

Entrepreneurship is the fourth essential ingredient for achieving economic growth. Fortunately, the cultural and political environment of the United States has stimulated entrepreneurs to seek new resources and make improvements in technology.

Every nation seeks economic price stability as well as economic growth. During a depressionary period, people are unemployed, incomes are low, and production does not reach full capability. During inflation, production may or may not be at a peak. Even when the rate of employment is exceptionally high, prices may also increase so that the purchasing power of many people is decreased. Every time prices increase, more money is required for buying the same things. People on retirement income or other fixed income are particularly hard pressed by rising prices.

DEFINITION OF TERMS

depression	A situation which extends over a relatively long time period when business activity is exceptionally slow; the main traits of the period are low prices, low profits, low production and high unemployment
developing country	A nation in the very early stages of industrialization
economic growth	The increased production by which members of communities, regions and nations are steadily better able to satisfy their wants
gross national product (GNP)	The money value of all goods and services produced within a country during a specific period of time, usually a year
inflation	A widespread rise in the prices of goods, services and resources

ECONOMIC GROWTH AND PRICE STABILITY

Grades K-3

Economic growth depends on the effective use of the natural, human and capital resources available.

1. **The ability to make the best use of nearby natural resources is determined by the kinds and amounts of human resources and capital goods in the city.**

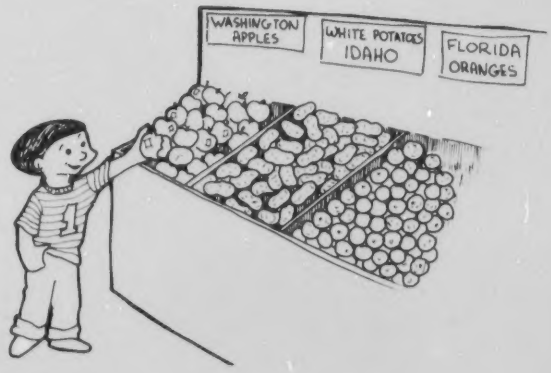
   Have students list the natural resources of their community and then determine how these resources might be used more effectively with inputs of certain new industries or expansion of existing industries. Discuss what types of new industries would be attracted to your community to make effective use of the kind of human resources available.

2. **Every city should have surrounding land for orderly growth.**

   Have the students confer with a local city planner about the need of planning for orderly growth and development of cities. Discuss why in the early 1960s, Oklahoma City annexed so much land that it covered more area than any other city in the United States. Note the need for airports, industrial parks, freeways and zoned areas for housing, parks, schools, businesses, etc. Students might secure newspaper clippings which reveal growth patterns in their cities. Have students prepare a display or mural showing the city layout from downtown to the suburban areas.

3. **Cities depend on markets outside their boundaries for the purchase and sale of many goods and services.**

   Have groups of students visit certain businesses, e.g., grocery stores, clothing stores, drug stores, etc. and report on the extent to which goods for sale have been shipped there from other cities. Have students find newspaper advertisements which highlight economic goods, such as oranges, received from other states.



4. **Transportation, communication and utility systems are essential for modern cities.**

   a. Invite local business people to discuss with the class their opinion of the adequacy of the city's transportation, communication, education, recreation and utility systems for industrial development. Have students determine how each item listed in the previous activity was shipped to the city.

GT b. The students gather information about how all shipments of goods are made into and out of their community or trade center (rail, truck, river barge, air express). In this process they will be writing for information, reading reference materials, observing, asking verbal questions and mapping. Ask the students to evaluate the importance of transportation for their local area and any actions that may be necessary to improve transportation.

c. Have students complete the **Your City** exercise and/or produce city maps for use in studying local parks. After writing the park department for acreage figures, the students could color the mapped park areas green and then write an essay on why parks are or are not important.

d. Have students answer the following questions:

(1) How would your city look to an Eskimo?
(2) What would the Eskimo notice?
(3) How would your city look to someone from Japan? (Continue with reference to as many other countries as feasible.)

YOUR CITY

THIS IS YOUR OWN PERSONAL CITY. THINK OF EVERYTHING A CITY NEEDS TO BE A GROWING, PROSPEROUS CITY. CREATE YOUR CITY MAP. SHARE YOUR COMPLETED MAP WITH OTHER STUDENTS. HOW MIGHT YOU HAVE IMPROVED YOUR CITY?

ECONOMIC GROWTH AND PRICE STABILITY

Grades 4-6

1. **The basic needs of food, clothing and shelter are a primary concern of individuals, families and cities. Only after these basic needs are resolved can attention be given to achieving economic growth**

   a. Students discuss, role play, write stories and/or prepare murals dealing with the following problem situations:

      (1) Robinson Crusoe shipwrecked on a Pacific island without food, extra clothing or shelter. He has no tools or equipment. How would his first days on the island be committed to survival? Then after he learns to survive, how might he 'save' some time for making capital goods such as a fishing net, game trap, etc., so that he can become more productive and enjoy a better life?

      (2) A poor working man, 35 years of age, with little education and no special skills who can only do manual labor such as yard work and similar jobs under close supervision. The pay scale is very low for such work in his small town, and he has difficulty finding enough employment for the most basic needs of his family. What can he do to improve his productivity and to earn more income?

      (3) Starvation City, in an Asian country, is plagued with the problem of not having enough food for its fast-growing population. Every day some people die of starvation. The people work hard at menial jobs when they can find employment, but population is expanding faster than the city's growth in production so that the standard of living keeps falling lower and lower. There is little or no investment in new economic enterprises because virtually all income is immediately spent for basic food and shelter. What can Starvation City do to provide a better future for its people? Why is the standard of living higher in American cities?

2. **A society must produce goods and services at a faster rate than its population increases if it is to improve the standard of living of its people.**

   a. A group of 10 students may role play the citizens of an entire country. Distribute to these students 10 (actual or hypothetical) apples representing the country's production of all goods and services (gross national product) for a year. Observe the average production per citizen. Then add 10 more students (assuming a population increase) and five more apples representing increased gross national product. Distribute the 15 apples to the 20 students and have the class compute the new average production per citizen to demonstrate the effect of population increasing faster than GNP.

b. Divide the class into groups to study the economic development problems of certain deeloping countries such as Brazil, Ecuador and Peru where population has grown faster than GNP.

3. **The quantity and quality of human resources are important for economic growth.**

   Some students could find out the average educational attainment of citizens in the developing countries studied in activity 2.b. of this section. What percentage of the people are illiterate? Perhaps also consider other factors such as health, sanitation and nutrition. What are the major occupations of people? What are their goals in life? Consider how the educational level and the achievement motivation of American citizens have contributed to the productivity of this country. Discuss how education in America could be made more effective.

4. **To maintain their productivity, business organizations must set aside part of current earnings for replacement of capital which wears our or becomes obsolete.**

   a. Have the class prepare a short list of equipment in vari-sized organizations such as a laundry, a road construction firm, an automobile manufacturer and an aerospace manufacturer in order to observe the importance of continually providing for new, improved equipment. Students might write or visit these firms to determine their provision for depreciation and obsolescence of equipment.

   b. Consider what would have happened to production in agriculture if farmers had been unwilling to replace work horses with tractors. Role play the impact on the labor force (both on the farm and in the new tractor manufacturing industry) which resulted from this capital investment in agriculture.

5. **In the United States, more income is earned than is spent for consumption. The difference (savings) is available for investment in new capital (production facilities).**

   Have small groups of students consider why underdeveloped countries have not invested more capital to improve their productivity and thus raise their standard of living. Ask for recommendations on how these countries might develop faster. During reporting sessions keep in mind the level of per capita income, education and 'social capital' such as roads, utilities, etc., as well as government instability in many of the countries being studied. Then consider the importance of maintaining incentives for capital investment in the American economy.

6. **Inflation takes place when spending increases faster than production. Depression results when there is a considerable drop in production, and great numbers of people cannot find employment.**

a. Have students compare the average increase in prices n the United States with increases in other countries--including Brazil, Peru and Italy--which have suffered from serious inflation. Ask the students to get information from their parents about how prices have increased during the last 15 years. Have students interview laborers, retired people and others to learn about the effect of inflation.

(1) To demonstrate how inflation occurs, have a group of 10 students role play the citizens of an entire country as in activity 2.c. Issue these students $10.00 of play money to represent the country's spending for a year. Then, use 100 apples to represent GNP and have students bid for the apples. Have the students compute the average cost of each unit purchased. (Answer: 10 cents each)

(2) Then assume an increase in production to 150 units (represented by apples) and an increase in the money supply to $18.00 (in play money). Issue the money and have the students (citizens) bid for the product. Compute the average price per unit as above. Because spending increased faster than GNP, the price per unit will have increased. (Answer: 12 cents each)

c. Then assume an economic depression follows with production falling, workers losing their jobs and much uncertainity about the future. Issue 75 apples and a money supply of $7.50. Hold the bidding again but warn the bidders that they won't want to spend all their money because they may not have a job next year and savings may be needed to feed and clothe their families. The result should be difficulty in selling the product and still further depression of the economy.

d. Have the class explore ways to remedy the price inflation in activity (2) above and the depression in activity (3). Consider changes in interest rates, availability of credit, levels of taxation and special government projects such as the WPA in the 1930s.

7. **Research and development has been a decisive factor in improving the technology and managerial efficiency of our economy.**

Have committees of students do the following:

a. Read about the life of Henry Ford and Eli Whitney to determine how the assembly lines for car production and the interchangeable parts for gun production improved efficiency in producing not only these two goods, but many other items as well.

GT b. Do research on the application of automation in the space projects, the oil industry and many other areas. Invite a business teacher to discuss the expected new era of microcomputer usage.

c. Read about developments in agriculture that followed the Morrill Act which established land-grant colleges for agricultural research and development. Discuss the impact of the windmill, barbed wire, the reaper and the steel plow. How have technological developments changed job requirements? What do these changes mean to an Oklahoma student who is thinking 'What will I do when I grow up?'

8. **Planning and effective leadership are important for the orderly and dynamic growth of cities.**

GT a. By means of readings and/or visiting classroom speakers, students examine the function of officials such as the following who coordinate the orderly growth of cities: the mayor, city manager, city planner, chamber of commerce personnel, officers of industrial development organizations, the school superintendent, etc. It should become clear that optimum city growth

required the cooperative efforts of many community leaders as well as positive support from the other local citizens.

b. Discuss clean-up projects, street and park improvements and/or cultural developments (such as theatre center, an art museum, or a renovated historical site) that would make a local city more attractive and enjoyable. Consider why these improvements have not already been made and how they might be accomplished.

c. Have the students analyze real or hypothetical case problems such as the following and recommend solutions.

   (1) Slowpoke Town is located in an isolated area of the state far away from the main arteries of transportation and with no industry other than farming in the surrounding country side. Both population and per capita income have been decreasing steadily, and most businessmen barely earn enough money to cover their living and business expenses. What is the future of Slowpoke? Should local businesses, schools and churches move on to a larger, developing trade center?

   (2) Topsy City has grown with very little planning or direction. The population of several hundred thousand people has difficulty in getting to and from work because the streets are jammed with vehicles, and the city bus service is undependable. Local industry has been thriving for decades but with little concern about pollution, so the streams are contaiminated with chemicals and refuse, and the air is foul with smoke, dust particles and a strong odor. Residential housing and industrial sites are intermingled with no clear boundaries of demarcation. The population congestion causes many citizens to long for the 'open spaces.' The downtown 'central city' has many old vacant buildings, and the incidence of crime has been increasing. What plans should have been made long ago for the orderly growth of Topsy City, and what can be done now?

The United States and the World Economy

THE UNITED STATES AND THE WORLD ECONOMY

The United States is part of a world society. Over the past centuries, changes in communications and transportation systems have brought all nations closer together. Today, U.S. industrialists buy raw materials from all parts of the world and sell many products to buyers in other countries. No modern advanced nation can thrive in complete isolation.

Trade among countries can be beneficial to all nations involved. Such trade fosters international specialization in production and rising standards of living. International trade makes available a greater quantity and variety of goods and services for the satisfaction of the wants of the people.

Trade between individuals, regions or nations generally results from the same motivation. It pays to specialize in what you can do best and to buy from others what they can produce most efficiently. Resources are spread unevenly over the world; thus nations tend to specialize in the production of those goods and services which they can produce most efficiently. Brazil specializes in the production of coffee which satisfies the wants of millions of Americans every morning. Brazilians buy corn from producers in the United States to satisfy the yearnings of their citizens for corn flakes in the morning. Specialization and exchange of goods and services among nations result in a more efficient allocation of resources.

The process of international trade is somewhat more complicated than trade within a single country. Resources are less mobile internationally than domestically. Most nations have restrictions on trade, e.g., immigration restrictions, import controls and tariffs. Special problems in world trade arise from the fact that each country has its own money, its own central bank and its own monetary policy. American producers selling corn in Brazil want to be paid in dollars; Brazilians, selling coffee in the United States, must be paid in pesos. International trade is subject to more political controls than domestic trade. Businesses in both countries are subject to the rules and regulations of the countries involved, and many times they are confronted with a political crisis. World trade is also subject to cultural and social barriers.

International trade is essential--in spite of the difficulties--if resources are to be allocated most effectively to satisfy the wants of people in the United States and throughout the world. The many advantages of international trade should serve to challenge succeeding generations of people to work further toward the removal of trade restrictions. Each country must overcome problems such as the following:

1. Adjustments required when less efficient industries have difficulty competing on a free world market.
2. Concern about dependency on other countries for goods and services essential to a nation's defense.

DEFINITION OF TERMS

exports	The outflow of goods, services and resources produced by individuals and businesses of the United States and sold to residents, businesses or governments of another nation
imports	The inflow of goods, services and resources produced by businesses and individuals of another nation and purchased by residents, businesses or governments of the United States
quota	The share, allotment or limit governments place on goods that may be traded internationally
tariff	A schedule of set charges by government on goods imported or exported; in the United States only imported goods are usually affected
trade deficit	In international trade, a condition in which the money value of a country's merchandise imports exceeds the money value of its merchandise exports for a specific period of time

THE UNITED STATES AND THE WORLD ECONOMY

Grades K-3

Nations are increasingly dependent on each other for raw materials, finished goods and services.

1. **Natural resources, human resources and capital resources vary in amount and quality from country to country.**

   a. Have students bring to school some of their toys and other articles that were made in other countries. Create a special display.

   b. Prepare posters showing pictures of major natural resources for three nations. Ask the children how each nation's natural resources vary from the other two nation's natural resources.

   c. Talk with students about differences in the quality and quantity of education of people in various nations. Ask them how such differences might affect the quality, quantity and type of work people do.

   d. Have children pretend they are hauling dirt. Some are to use only their hands and small buckets, some could use shovels and small wagons and others could use a big machine to pick up dirt and drop it into a dump truck. Ask students, 'Who can haul the most dirt the fastest?' 'Who would be second fastest?' 'Why are some of the workers faster?' Then explain that in some places people have few tools and equipment (capital resources) to help them do work, and in other places more capital resources are available.

2. **The United States is dependent on other countries for certain products. These products are imported into our country.**

   Hold up a banana. Ask students if they know what country the banana came from. As they guess, students giving names of nations that do grow and export bananas could try to locate on a map the nation they guessed. After two or three banana-exporting nations are identified, ask, 'Are bananas grown in our country?' 'Since bananas do not grow here, what nations do we have to depend on to get bananas?' Give other examples, such as cacao for chocolate candy, rubber for tires, and bauxite for aluminum cans for soft drinks. Have the class dictate a story on how we depend on other nations for things we enjoy.

3. **Many countries buy goods and services from the United States. These are exported from our country.**

   a. Have each student select one item from a list of United States exports and locate on a large world map hung in the classroom one of the nations to which the item is exported. Examples are automobiles to Canada and corn to Japan.

b. Have each student make a construction paper representation with two slits in it of the exported good. Thread string through the slits. Attach one end of the string to the point of origin in the United States and the other end to the export's destination. The student can then slide the **good** along the string to the nation importing the good.

c. Explain that each export may be shipped to many nations. Ask children to name some nations that buy goods from the United States.

4. All countries engaged in trade should benefit, for each country is thus motivated to produce those goods which are best suited to its own resources.

a. Tell students about a make-believe nation where good soil and big forests are its main natural resources. Ask them to select from the following list the kinds of things the people in that nation should produce.

wheat	lumber	plastic toys
cars	corn	soybeans
furniture	jewelry	paper

Ask children to explain their selections.

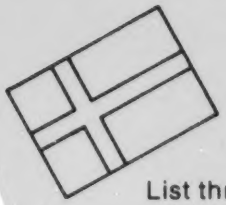
b. Arrange exhibit articles in categories of countries which specialize in producing certain goods such as plaids from Scotland, silk from Japan, lace from Italy, coffee from Brazil, etc. Have the students explain why the countries specialize in producing these particular goods.

5. Without transportation to carry goods from one country to another, international trade would not be possible.

a. On a large outline map of the world, have students paste or draw pictures of ships and planes carrying cargo (which could also be identified) to and from each continent. Ask children how they would get bananas or chocolate candy or any other product to the United States if there were no ships or planes.

GT b. Have students create two collages, one showing pictures of goods exported from the United States and the other showing pictures of goods imported to the United States. Pictures can be from magazines or newspapers or drawn by the child.

c. Ask students to research the quantity and quality of natural, human or capital resources of a nation and compare these to the quantity and quality of such resources in the United States. Before beginning research, they should identify measures to use in assessing the quantity and quality of these resources. Students should create some way to report their findings visually, orally or a combination of both.



List three things that were produced in foreign countries.

1. _____ _____ country

2. _____ _____ country

3. _____ _____ country

List three things you enjoy eating that are native to other countries.

1. _____ _____ country

2. _____ _____ country

3. _____ _____ country

List three famous people from other countries who have influenced us.

Name _____ _____ country

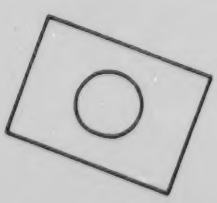
Contribution _____

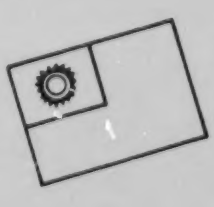
Name _____ _____ country

Contribution _____

Name _____ _____ country

Contribution _____





THE UNITED STATES AND THE WORLD ECONOMY

Grades 4-6

1. **Total output of goods and services is increased if the United States and another country both specialize in producing those products for which their resources are best suited and then trade with each other.**

   Have the students study the economy of three countries other than the United States and make a scrapbook of information about the major products the countries export. Ask students to discuss or write reasons for these exports, e.g., abundance of resources, superior technology, surplus production, and/or suitable climate for growing certain crops.

2. **International trade is a two-way exchange consisting of both imports and exports.**

   Have students make pictographs showing the exports and imports of the United States. Role play the importing of petroleum from Saudi Arabia and the exporting of equipment to that country.

3. **Access to foreign currency evolves from international trade. From its exports, the United States obtains foreign currency to pay for its imports. Similarly, it is from their exports of goods to the United States that other countries obtain U.S. dollars to pay for goods they buy from us. Sellers in each nation prefer to be paid in their own country's domestic currency.**

   Have a local business person explain procedures he/she follows in selling products to buyers in other countries and how he/she is paid in American dollars.

4. **The flow of investment by American business persons to both the developed and underdeveloped countries has increased rapidly in recent years.**

   Ask students to research American developments in underdeveloped countries and find out how these investments, e.g., in new oil fields or manufacturing enterprises, affect our own economy.

   a. Students working in pairs or committees will research and contrast cultural differences among **modern** societies such as **(1)** India, **(2)** Nigeria, **(3)** Indonesia, **(4)** Peru, and **(5)** Kenya. They will then report how these cultural differences serve as barriers to international trade.

   b. Have the students define **tariff** and **quota restriction** and discuss the pros and cons of these impediments to free trade among nations.

GT c. A field trip to a local discount store will be made. Students will list all the imported items they can find within a given time period. Back in the classroom, students will categorize types of products to determine in what **areas** (health and beauty, furniture, etc.) imports appear to have the greatest impact. Comparisons in the prices of various American-made goods and similar imported goods could also be made.

   For a speaker or specific information about how Oklahoma firms are engaging in international trade with foreign firms, the class could contact the Oklahoma Industrial Development Department, 4024 North Lincoln, Oklahoma City, OK 73152 (405-521-2401).

RESOURCES FOR ELEMENTARY ECONOMIC EDUCATION

An Evaluation of the Economics and the Teaching Strategies in Social Studies Textbooks, Elementary Grades (1-6). New York: Joint Council on Economic Education, 1973.

Audiovisual Materials for Teaching Economics, A bibliography of Materials for K-12. New York: Joint Council on Economic Education, 1972.

Basic Economics Test (Grades 4-6). New York: Joint Council on Economic Education, 1981.

Consumer Education Series, Cooperative Extension Service. 411 Members Manual. Oklahoma State University, 1981. Levels are available for ages 9, 10, 11.

Economics: A Social Studies Supplement. Separate publications for grades 1, 2, 3, 4, 5 and 6. Stillwater, OK: Center for Economic Education, Oklahoma State University, 1971.

Economics and Our Community. A resource unit for grades 4-6. New York: Joint Council on Economic Education, 1974.

Elementary Economist. A free periodical. The National Center for Economic Education for Children, Lesley College, Cambridge, Massachusetts 02238.

Farnette, Cherrie, Imogene Forte and Barbara Loss. *At Least a Thousand Things to Do*. Nashville, TN: Incentive Publications, Inc., 1977.

Farnette, Cherrie, Imogene Forte and Barbara Harris. *People Need Each Other*. Nashville, TN: Incentive Publications, Inc., 1979.

Katzman, Carol and Joyce King. *Economy Size*. Goodyear Publishing Company, Inc., 1640 Fifth Street, Santa Monica, CA 90401, 1979.

Learning Economics Through Children's Stories, A Bibliography of Relevant Children's Books, K-6. New York: Joint Council on Economic Education, 1978.

Maher, John E. and S. Stowell Symmes. *Ideas About Choosing*. New York: Franklin Watts, Inc., 1969.

------. *Ideas About Others*. New York: Franklin Watts, Inc., 1969.

------. *Learning About People Working for You*. New York: Franklin Watts, Inc., 1969.

Master Curriculum Guide in Economics for the Nation's Schools; Part I, *A Framework for Teaching Economics: Basic Concepts*, 1977; Part II, *Strategies for Teaching Economics*, Primary Level (Grades 1-3); Part III, *Strategies for Teaching Economics*, Intermediate Level (Grades 4-6), 1978. New York: Joint Council on Economic Education.

Penny Power. Monthly publication of the Consumers Union of the United States. Penny Power, Consumers Union, 256 Washington Street, New York, NY 10550.

Primary Test of Economic Understanding (Grades 2-3), with Examiner's Manual. New York: Joint Council on Economic Education, 1971.

Shopping Lists Game I. Developmental Learning Materials, P.O. Box 4000, One DLM Park, Allen, TX 75002.

Touching, Living, Growing... Elementary Social Studies. Oklahoma State Department of Education, 2500 North Lincoln Boulevard, Oklahoma City, OK 73105.

Trade-Offs. Fifteen 20-minute economic education films for intermediates. New York: Joint Council on Economic Education, 1978. (See Instructional TV Schedule for broadcast times.)

ECONOMIC EDUCATION

Secondary Level

While some school systems provide a separate capstone course dealing with the various aspects of economic education, most instruction is integrated with related courses such as those included in this section. Proof of the effectiveness of integrating economic education in this manner has been well documented. Of course optimum economic education progress is made only when the integration at the secondary level can be dovetailed with an active, progressive program at the elementary level. With minimal planning, the integrative process can be accomplished easily and in a manner that will achieve a spiraling of economic education learning while enriching related subject areas. For ready assistance educators are encouraged to contact the Oklahoma Council on Economic Education or the State Department of Education.

Learning activities considered especially appropriate for gifted and talented students are designated by the letters **GT** printed in the space at the left of such special activities. These particular items have been selected to encourage divergent and creative thinking. However, teachers of the gifted and talented will find many other activities in the guide are also appropriate if extended to challenge persons with special abilities.

Some learning activities involving student use of the microcomputer are designated by the letters **MC** in the space at the left of these particular activities.

Copies of programs are available by writing:

Instructional Computer Resources
Oliver Hodge Memorial Building
State Department of Education
2500 North Lincoln Boulevard
Oklahoma City, OK 73105
(405) 521-2955

Students will need to keyboard the programs and simulate data to run the programs.

Other special features important for users of this section of the guide are as follows:

1. Each subject area begins with a brief overview of the economic education understandings related to the respective topic.
2. Definitions of terms are listed after most of the topical overview, and a general glossary of terms is included at the back of the secondary section of the guide.
3. A brief listing of relevant economic education ideas and related learning activities is included as the major component under each topical area. Each idea is typed in boldface type with the related activity or activities following, except in the geography section where the ideas are in clusters followed by a cluster of related activities.

4. A selected bibliography of supplementary materials is listed at the end of each subject area.

Two final points are noteworthy: **(1)** space does not permit inclusion of all subject areas in which some integration of economic education can and should be accomplished; and **(2)** limited space also precludes a comprehensive treatment of all economic education topical areas relevant to each subject area that is included. For this reason all secondary educators are encouraged to review the topical areas covered in the elementary section. Some of the learning activities suggested for elementary teachers could very well be broadened to fit the needs of secondary students.

American Government

AMERICAN GOVERNMENT

The Role of Government in the Economic Development and Growth of the United States

The role of government in the American economy has increased over the last two centuries as our society changed from an underdeveloped country with a predominantly rural population to a highly developed urbanized society. In early America, the economic role of the government was largely devoted to protecting private property, providing for private contracts, and guaranteeing related economic freedoms; the role was a limited one concerned with preserving conditions necessary for effective capitalism. Through the years and even today, many people believe this limited action should be the extent of government's responsibilities in economic matters. At the base of these controversies lie conflicting values regarding the proper amount of government involvement in the economy.

General direction for decision making at all levels of government is provided by public opinion on the pros and cons of each issue; the aggregation of values is public opinion. The casting of votes by citizens and the compromises reached by various economic interest groups provide the basis for deciding economic issues. Although economic decision making is generally made through the market mechanism by producers who seek profit and consumers who seek self-satisfaction, government provides a means for public opinion to be instituted. The government decision-making process involves individual voters, elected representatives, appointed officials, employed lobbyists, and other special-interest groups. The increasing role of government reflects a change over time in American public opinion concerning the government intervention in the economy. The increasing political participation of citizens of all socio-economic classes is largely a result of new legislation. For example, the lowering of the voting age and the passage of the Civil Rights laws added a new dimension to our political system. The increasing participation of young people and minority groups in the political process has an impact on the regulations of private enterprise and on trade and legislation affecting the various facets of taxing and spending, which directly influences the overall level and direction of economic activity.

Government has long assumed the primary responsibility of providing certain basic goods and services such as the following: roads, public education, city water, sewage disposal, parks, police and fire protection, and national defense, which were not effectively supplied by private enterprise. Government closely regulates monopolies that supply gas, electric and telephone services as well as other functions to avoid wasteful competition. Laws dealing with trusts and monopolies, regulation of specific industries, labor-management relations, consumer protection, support of education and economic development have all been enacted in the spirit of improving our basic system of workable competition in a rapidly changing social and economic environment. In general, governments at all levels have endeavored to preserve the rights of the individual citizen and to provide an environment in which each person can develop to his fullest potential.

The Great Depression of the 1930s caused a major change in political economic philosophy, for the federal government played an active role in attempting to counteract the extreme effects of the depression. In recent years, the American government has tried various methods to curb inflation, which is the other extreme of the business cycle. The government has been increasingly concerned with economic stability since World War II. Both monetary and fiscal policy helped achieve less severe recessions and periods of expansion until the middle 1960s. However, with increaasing demands for government services at home and the additional military outlay for the Indo-China War, an inflationary period began in the middle 1960s which resulted in more government regulation. A wage-price freeze was established in 1971 to counteract inflation and to make American goods more competitive abroad. Other overwhelming economic forces reduced the effectiveness of the various phases of price controls (as they were administered); however, the search continues for economically desirable and politically feasible policy actions the government can take to curb inflation while maintaining a high level of economic growth.

Throughout American history, controversy has focused on the issue of international trade, and frequent American government intervention on the international scene has added to the controversy. Reactions to changes in tariffs and quotas are unpredictable because effects on individual industries may be more than offset by compensating effects on the rest of the economy. Of greatest significance may be the reaction of other countries. As a result of increasing the tariffs or quotas on American imports, we may find certain foreign markets closed to our exports. Historically, the United States grew rapidly from a small nation dependent on foreign imports for economic development. Infant industries developed and were protected by the government against foreign competition in their early years until they were ready to engage in international trade. However, because of their particular resource requirements, there will always be some industries that will have difficulty competing on the world market. The comparative advantage which generally resuts from free trade among nations has been well documented, but the government often finds that requests for protection of certain domestic industries are difficult to refuse. Although U.S. foreign trade policy has not been completely consistent over the years, we have made progress in reducing a number of international trade restrictions.

The phenomenal development and growth of the American economy can be attributed to the effective utilization of our natural, human and capital resources. Another factor that has contributed to the country's growth is that local, state and national governments have been responsive to the needs of the citizenry and have provided a dynamic social environment conducive to innovation and productivity. Concurrently, with national economic growth, the standard of living of the average American citizen has increased steadily over the past four decades.

Increasing affluence and leisure time due to automation and technological advancements have enabled both private citizens and the government to help less fortunate citizens improve their lot. There is also increaasing concern about achieving quality in economic growth that will reduce the pollution of air, water and countryside. Progress is being made in solving problems of certain minority groups who have not always enjoyed equality of opportunity. Drug use and crime by young people who have not been able to find a satisfactory role for themselves in American

society are now a matter of concern. At the same time, with better health care and longer life expectancy, attention is increasingly being focused on ways and means of providing a better way of life for the aged. Citizen groups have been working toward the solution to our ecological imbalance; their work is carried out both through their own actions and their influence on the government's role in improving the environment. In an interdependent world, efforts continue toward a workable relationship among nations that will permit world peace and the greater use of productive resources for improving the living conditions of people everywhere. Undergirding all of these social and cultural aspirations is the importance of economic productivity to provide the means for accomplishing our goals.

During the late 1970s and early 1980s, two relatively new problems have plagued the American economy and the government in its efforts to deal with them. The first, **stagflation,** is a newly coined term which refers to a concurrent period of inflation and recession. In attempting to deal with the recession aspect of stagflation in the normal ways, some administrations have spawned a second problem--double digit inflation, or inflation involving an annual increase in the Consumer Price Index of at least 10%.

The year 1981 saw the first, large-scale assault on these problems with a new technique, **supply-side economics.** Supply-side economists believe that the government's role in the economy should be substantially reduced. They believe that the economy has the capability of solving some of its own problems with less government interference.

At the time of this publication, supply-side economics has not proven to be much more effective than previous methods in dealing with stagflation. Inflation has abated somewhat, however, at a cost of jobs and economic activity. The future holds the answer to its success.

If the American economy is to proceed at an optimum rate of growth with relative price stability, citizens must develop basic competency as economic decision makers both in the marketplace and in the all-important actions they request of the government. The appropriate role of government is an issue which each generation of Americans must decide for itself.

Monetary and Fical Policies for Stable Economic Growth

Stable economic growth has always been one of the most important national goals for the American economy. The nation's early history was characterized by periodic instability, with recession and inflation taking turns at destabilizing the economy. However, it was not until the Great Depression of the 1930s that the federal government began to assume a dominate role in stabilizing economic fluctuations.

The Employment Act of 1946 established the Council of Economic Advisors and required regular **state-of-the-economy** reports by the President. This Act pledged that the government would mold policies which would promote the nation's economic goals of full employment, adequate economic growth and price stability with a minimum of economic fluctuation. The federal government attempts to fulfill this responsibility through an appropriate combination of monetary and fiscal policies.

Monetary Policies and Their Effects. Monetary policy refers to those actions taken by the Federal Reserve System (the Fed) to change the rate of growth of the money supply or the cost of borrowing from the banking system, or both. In prompting economic growth and price stability, 'the Fed' will engage primarily in one or all of the following three actions: **(1)** raise or lower reserve requirements, **(2)** raise or lower the discount rate, and **(3)** buy or sell securities on the open market. Of these three monetary 'tools,' open-market operations are the most frequently used because this function can be used best for fine tuning without upsetting the money markets. Monetary policy must be complemented by appropriate fiscal policy for optimum effectiveness in achieving stable economic growth.

Fiscal Policies and Their Effects. In an effort to stabilize the economy, the federal government must also utilize fiscal policy, which includes both automatic and discretionary actions. When recession or inflation threatens the economy, the automatic or built-in stabilizers are activated without the need for diagnosis and decision making by government authorities. For example, in a recessionary period, unemployment compensation payments serve automatically to keep consumer purchases from falling as low as they would have otherwise. Similarly, as incomes decrease, the progressive individual and corporate income taxes automatically require a smaller percentage of earnings. As a result, the demand for goods and services can be partially sustained. These same mechanisms automatically reduce spending during periods of inflation and full employment.

In the use of discretionary fiscal tools, the federal government (as the largest single revenue receiver and spender in the nation) is in a strategic position to promote stability in the economy through altering tax rates and/or changing the federal spending program. Fiscal policies must be supplemented by monetary policies, for steady economic growth requries an effective **mix** of both.

In summary, fiscal and monetary policy attempts to achieve economic growth and price stability. Implementation of the correct **mix** of monetary and fiscal policy by government authorities is necessary to achieve economic stability, for the American economy will not automatically attain a high level of employment, general price stability and stable economic growth.

DEFINITION OF TERMS

comparative advantage	The principle which states that nations will benefit from international trade if each nation produces and exports goods in which it has the greatest relative efficiency and imports goods in which it has the least relative efficiency
Consumer Price Index (CPI)	A government-established measure used to compare the purchasing power of currency over time; the index is based on prices of a selected market basket of items such as housing, food, fuel and clothing
depression	A relatively long time period of exceptionally slow business activity; the main traits are somewhat lower prices, low profits, much lower production and very high unemployment
discount rate	The interest rate a commercial bank must pay to borrow money from a federal reserve bank
economic efficiency	To make the best possible use of available resources; efficiency is usually measured by the per unit cost of goods and services or by the productivity of resources.
economic growth	An increase in per capita gross national product (GNP). This improvement is accomplished by increased efficiency or increased resource utilization or both.
financial institution	A business such as a bank, small loan company, savings and loan company, insurance company or mortgage company that borrows savings of individuals and businesses to lend in usually larger quantities to other individuals and businesses
fiscal policy	Federal government taxing and spending designed to promote full employment, price stability and economic growth
fractional reserve system	A provision that banks in the United States may hold only a stated portion of their deposits as reserves. Under this system commercial banks essentially create additional money when they make loans
free trade	The absence of export and import duties or any regulations designed to reduce or prevent trade among nations
inflation	A widespread rise in the prices of goods, services and resources; price changes are reported periodically in the U.S. Department of Labor publication, *Consumer Price Index*

monetary policy	Federal Reserve System actions designed to control the rate of growth of the money supply to promote full employment, price stability and economic growth
monopoly	A market situation in which there is only one seller of a product, and there are no acceptable substitutes
open market operations	The buying and selling of government securities by federal reserve banks under the direction and regulations of the Federal Open Market Committee to promote economic growth and stability
productivity	The amount of goods and services made by a producer in a given period of time, usually measured in output per man-hour
recession	A period when business activity is slowing down or contracting; the primary traits are decreasing prices, decreasing profits and increasing unemployment
reserve requirement	The percentage of demand deposits that a commercial bank must retain in reserve and not use for additional loans
specialization	A situation in which individuals make only a certain part of a good or service, or a nation produces those goods or services best suited to its resources
stagflation	A period in which elements of both inflation and recession are present
supply-side economics (Reaganomics)	The theory that reducing taxes and government regulation of business while reducing individual taxes will bring about an increase in business activity and hence an increase in government tax collections while spurring the American economy
tariff	A schedule of set government charges on goods imported or exported; in the United States only imported goods are usually affected

AMERICAN GOVERNMENT

The government has a vital role in not only providing public services but in also pursuing monetary and fiscal policies for optimum economic growth and price stability.

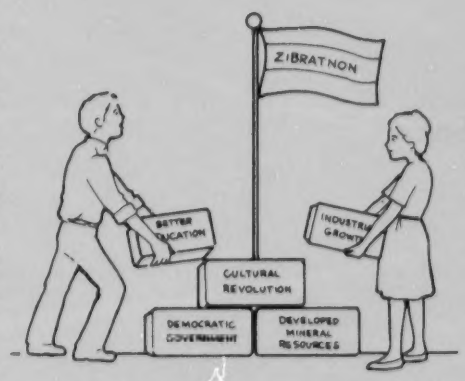
The Role of Government in the Economic Development and Growth of the United States

1. **Planning is necessary for more efficient development of any country. Economic development is necessary for improving the standard of living of its citizens.**

   Note to Teacher: This role-playing exercise is to be used as a pre-test and a post-test. Comparisons between the students' recommendations prior to study and following study of this unit should indicate the change in attitude and decision-making competency after more information is gained.

   a. Divide the class into groups of no more than five and give each group the following situation:

   Suppose you were the Economics Minister and his Council of Advisors of a newly independent nation "Zibratnon.' This country has many rivers, including several large waterfalls, but very few roads and only two small airfields. Rich land is planted to subsistence agriculture. There are lush timber reserves, undeveloped mineral resources and a population of three million, 87% of whom are illiterate. Ten percent have an elementary education; two percent have a high school education; and one percent have a college education. You wish to improve the economic standard of living in your country while at the same time preparing the people to participate in the democratic process through elections in three years.



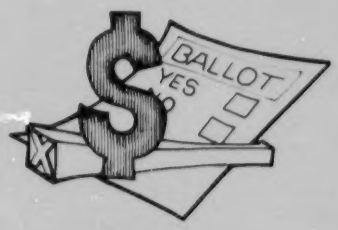
   b. What recommendations would you make to attain both these goals? (Groups share answers and critique them.)

2. **Governmental stability is basic for economic development.**

   a. Have a group of students research and role play the situations that would face a business investor in one of the underdeveloped countries or in early America where riots and revolution occurred.

   b. Have a businessperson or stock broker come in to class and explain the role of uncertainty in the business world and how news events and government actions can affect the stock market and businesses in general.

3. **American citizens, through their "dollar vote" for consumer goods and services and their political votes for public officials and issues, help shape economic and political activity.**



   a. Have the class consider this extreme position: The federal government should only provide for national security and run the post office.

      (1) What long-run effect would this position have on federal, state and local governments? On individuals as voters and as consumers?

   b. How would the class reorder government priorities? Would it be politically feasible? Economically sound? How much objection would it stir up in the country? (Perhaps consider discussing unemployment, the space program, farm subsidies, pollution and poverty problems.)

   c. Discuss whether the consumer's dollar "votes" in the market place are really important in determining the private goods and services that will be produced.

   d. Have some students research the expansion of the minicomputer market or the videogame business.

   b. Present the following research problem to the class:

      (1) One-half the class is to examine some current national social legislation that is before Congress. Perhaps consider merits of the **Family Assistance Plan** versus welfare benefits under the existing program. Have the students write their congressmen for committee hearings and background material if these materials are not otherwise available. Both **pro** and **con** arguments should be presented.

      (2) The rest of the class will research a local situation such as the United Fund drive in a local city. The requests for funds should be compared with the supply of funds for a five-year period. Since requests for money always exceed the contributions, how are decisions made as to which projects should be supported? Do certain groups **lobby** for United Fund support of their projects? Compare this type of lobbying with that in the halls of Congress.

      (3) Members of the class should role play the appropriate decision-making group and the group requesting money. The national **decision makers** should determine which legislation should be supported, and the local **decision makers** should determine which projects the United Fund should support and how much to allocate each one from the total budget.

4. **Through its income from taxes, the government provides certain goods and services for all citizens.**

   a. Have the students list the goods and services provided by government such as the armed forces, parks, police and fire protection, roads, education, certain health services, courts, laws and regulations, and subsidies and financial aids to certain individuals and groups. Then ask the students to write a short essay describing what they think would happen if all levels of government were to stop providing all forms of economic goods and services. For example, taxes could be reduced; but how would the general welfare be affected? (Discuss income, sales, property and estate taxes in relation to changes which might be made in the present tax structure.) How efficiently and for whom would these services be provided?

   b. Have some students research the fall of the Western Roman Empire in the 400s and 500s A.D. They should especially look for what government services were provided until the fall and then for what people did afterwards when these services were lost.

5. **Government is usually expected to provide for social capital such as roads, railroads, airports, communication services and energy sources for economic development.**

GT a. Have student groups research the role of government in the development of:

   (1) the railroads
   (2) airport and airline services
   (3) highways
   (4) financial institutions
   (5) communications services (radio, telephone, postal system, etc.)
   (6) energy sources

   b. Analyze how these developments might be different today if the government had not been involved.

6. **As the American economy developed, some regulation was necessary to preserve effective competition.**

   Have students research and report on the history of anti-trust legislation. They could then discuss the role of "big business, big labor and big government" in the economy today and perhaps debate whether we now have more or less economic competition than existed 50 years ago in America.

7. **Natural monopolies for providing gas, electricty, water and telephone services are franchised and regulated by government because competition would be wasteful and inefficient.**

   Have class members discuss what it would mean to have four different telephone companies serving a single community. Consider the impact and desirability of governmental regulation of various economic groups such as gas producers, financial institutions, radio and TV stations, food and drug establishments, etc.

8. **Any government action to accomplish a single economic goal will have secondary effects which may hamper the accomplishment of other important economic goals. Thus, an all-out effort to combat inflation may increase unemployment and restrict economic freedom.**

a. Inflation could be reduced if:
   (1) everyone took a 25 percent pay cut
   (2) there was no new capital investment for 24 months
   (3) taxes were increased 20 percent
   (4) no defense spending was made for three months
   (5) any business reporting over an eight percent return on investment were required to cut prices to reduce profits to this level
   (6) people paid for food, housing, medicine, but could buy nothing else for two months

b. Have the students discuss why the foregoing remedies to reduce inflation have not been used. Why was it so difficult for President Johnson to get a slight increase in income taxes through Congress when it was important to reduce the general level of spending to curb inflation? The major policies to combat inflation would involve **(1)** restriction of credit; **(2)** increase in government taxes; and **(3)** decrease in government spending. An increase in economic productivity would also be helpful. Have the students research and report on the combination of policies they would consider best for combating inflation. Discuss what measures for curbing inflation were used by Presidents Ford, Carter and Reagan.

c. Have the students discuss the impact of deficit spending on the borrowing markets. Invite a guest speaker from a loan company, mortgage company, bank or stock brokerage to explain how money to borrow is generated in our economy.

d. Controversy over the relative emphasis that should be given certain socioeconomic goals (such as freedom, growth, stability, justice and security) can result in the downfall of a government. Have student groups study this problem and report how it can best be resolved in a democracy.

MC e. Students may want to run a program on the microcomputer which illustrates inflation. The program is available from the State Department of Education.

9. **Free trade among nations promotes specialization and offers the possibility of reduced prices for consumers, however critical adjustments may be necessary.**

   a. After giving the class a brief theoretical explanation of economic efficiency of specialization and free trade, the teacher can distribute publications available free from such groups as the steel industry, farm organizations and consumer agencies which express organizational viewpoints on certain aspects of free trade among nations. From these materials the students will be able to tell the position of each group on free trade.

   b. Have the class role play a hearing before a congressional committee. Selected members of the class will testify on behalf of the position which the various economic groups would take on a particular issue (such as the imposition of quotas or high tariffs on steel imports). The steel representative will point out the need for such trade restrictions in order to meet the demand for adequate domestic steel production in times of national emergency and will emphasize the effect increased importation of steel could have on domestic steel employees, firms and the economy of certain geographic regions. Consumers will oppose restrictions on the grounds that they cause consumers to pay higher prices for goods made of steel. Agricultural interests will oppose these restrictions because restrictions on the use of lower priced foreign steel would increase the cost of farm machinery; and the sale of agricultural goods to a steel-exporting country might be impaired (because that country would have less foreign exchange from the exporting of steel to pay for importing American agricultural products).

      After the representatives have testified before the committee and answered all questions, the committee should decide whether or not they should promote legislation for further restrictions on imported steel. One member of Congress on the committee might be from Pennsylvania and another one from Oklahoma. In their talks have these two members discuss the political realities that affect their positions on steel and agriculture in an effort to persuade the other committee members. The importation of oil, beef or other products might be similarly studied.

10. **Expanding economic growth has resulted in problems relating to the quality of life in America, i.e., water and air pollution and social ills. There has been increasing concern over alleviating these problems in the United States. City, county and state boundaries present barriers to solving these problems because economic and political boundaries do not necessarily coincide.**

    a. Have students discuss methods for reducing pollution such as placing fines on companies that will not develop production methods which are non-polluting or providing government subsidies for companies installing recycling processes.

b. Have the class discuss the value of government-financed programs to help underprivileged people improve their standards of living. Develop criteria for assessing such programs.

c. Have the students make a case study of the community where they live. Let them search files of the local newspaper to find how and why the local political boundaries were first established. The students could interview senior citizens and current political leaders. Determine whether boundaries of counties and other regions still make sense in terms of regulation of transportation, air and water pollution, and financing education.

d. Have students research the changing opinions many Americans have toward excesses in the area of environmental protection. Debate the issue, **Environmental Quality vs. Economic Growth.**

Monetary and Fiscal Policies for Stable Economic Growth

1. **Both inflation and recession distort the allocation of resources and the levels of output, employment, income and price.**

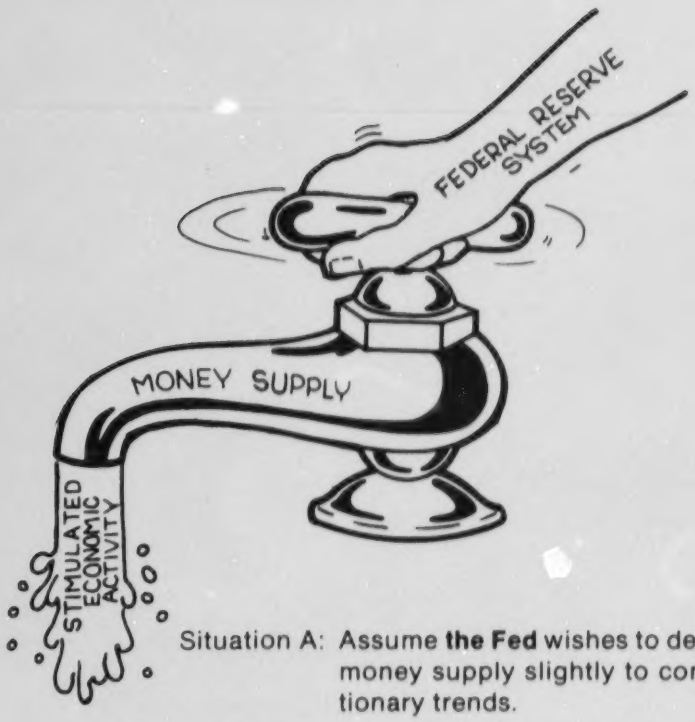
   a. Ask students to consider the effect of inflation on their own buying decision How have increases in prices altered their spending habits? If possible, compare prices in a current catalogue with one published several years ago.

   b. Have members of the class research and discuss the following questions. What is the economist's definition of inflation? How might price levels and incomes be affected by changes in spending habits due to inflation? How might output and employment be affected by inflation? How does inflation affect people on fixed incomes? How does inflation hinder stable economic growth?

   c. Have the students assume the economy is experiencing a severe recession or depression and answer the preceding questions in that context.

2. **Controlling the money supply in order to offset the fluctuations of the economy is a function of the Federal Reserve System. Decreasing the money supply tends to curb inflation; increasing the supply tends to stimulate economic activity.**

   a. Conduct a class discussion to review understanding of **the Fed's** three major monetary policy tools; i.e., changes in the reserve requirement, the discount rate and open market operation. (the Fed can also apply selective credit controls and restrict borrowing for stock purchases.) Of all the monetary tools, open market operations are the most commonly used. After students role play the process of open market operations, discuss how this action can produce delicate adjustments of the money supply. Materials needed: paper money representing $100 bills and imitation government treasury bills with a face value of $1000 each. Some students will function as private investors and others will represent the government.



Situation A: Assume **the Fed** wishes to decrease the money supply slightly to combat inflationary trends.

Action: **the Fed** open market committee sells securities and receives investors' cash (NOTE: This action takes cash out of circulation.)

Situation B: Assume **the Fed** wishes to increase the money supply slightly to combat recessionary trends.

Action: **the Fed** open market committee buys securities and pays investors cash. (NOTE: This money is now back in circulation to stimulate economic activity. Perhaps it will enable the banking system to **create** additional money in the manner shown in activity 3.)

BACKGROUND NOTE: The Fed is always selling securities. They sell them to individuals, banks, companies, anyone who wants to invest in one of the safest investments available. The open market committees' (O.M.C.) real influence depends on the interest rate they decide to pay on such securities. The higher the rate, the more securities are bought by investors and the more money is removed from circulation. As the O.M.C. of **the Fed** decides to drop the interest rates, more bills and bonds are cashed in by investors and hence, money is put into circulation.

b. Discuss with students how the goal of the investing public is profit. Explain how an investor's money can be put into government securities at a fixed rate of interest with very little, if any, risk. Explain also that the same money could also be put into drilling an oil well at considerable risk, but with the potential of great profit. Give students the following situation:

> You have $10,000 to invest. Treasury bills are paying 15 percent. As treasury bills are held for six months, one year would have to pass for you to make $1,500. You could also invest the money in an oil well or some other risky venture that might produce as much as 50 percent profit, however, you might lose all your money. What factors would influence your decision?

3. **An adequate supply of money is essential for economic stability. Commercial banks have the capacity to "create" or "destroy" money through their lending practices. The creation of new demand deposits through these lending practices is the most important source of money expansion in our economy.**

   a. Have students role play the mechanics by which the banking system can create money. Different students can be designated to represent separate banks, and other students can function as depositors and borrowers. Assume a new $1,000 deposit, a 20 percent reserve requirement and a sequence of subsequent depositing and lending such as follows until the system achieves maximum use of the initial $1,000 deposit.

Money Creation by the Entire Banking System

Banks	Deposits	Reserves	Loans
First National Bank of McAlester	$1,000.00	$ 200.00	$ 800.00
Bank of Oklahoma, Tulsa	800.00	160.00	640.00
Liberty National Bank, OKC	640.00	128.00	512.00
Stillwater National Bank	512.00	102.40	409.60
All other banks together	2,048.00	409.60	1,638.40
TOTAL	$5,000.00	$1,000.00	$4,000.00

   b. The class can continue the sequence of depositing and borrowing until it is clear they understand how the fractional reserve system works. Then, change the rules to a 10 percent reserve requirement and note that twice as much additional money can be generated.

   c. The teacher can prepare a narrative similar to the following to describe the initial chain of events that might occur with a new $1,000 deposit and a 20 percent reserve rate:

> James Smith, a student, goes to the First National Bank of McAlester to deposit $1,000 in cash. The First National Bank now has additional money to loan; so the bank lends $800 to Mr. Adams to buy a used car and puts the

required $200 in its own reserve account. Mr. Adams goes to the Honest John's Used Car Company and writes a check on his bank account to Honest John who deposits Mr. Adams' check in his own account in the Bank of Oklahoma in Tulsa. With $800 in a new deposit, the Bank of Oklahoma lends $640 to Mr. Brown for a color television set and puts $160 (20 percent of $800) in reserve. Mr. Brown purchases the color television set at the Acme Television Company, which is deposited in Acme's account in the Liberty National Bank, Oklahoma City. This bank--Liberty National Bank--loans $512 to Mr. Case for college expenses and puts $128 in its reserve account. Mr. Case pays the $512 to Oklahoma State University, which deposits Mr. Case's check in the Stillwater National Bank, which handles one of the university accounts. With the new deposit of $512, Stillwater National Bank loans $409.60 and protects its 20 percent legal reserve requirement by putting $102.40 in its reserve account.

d. Conversely, the class might trace the effect of a $1000 withdrawal of cash. Have the students consider how the reserve requirement could be altered to counter an inflationary trend.

4. **The Federal Reserve System can influence the availability of credit to a limited degree by adjusting the discount or interest rate it charges member banks who borrow from it.**

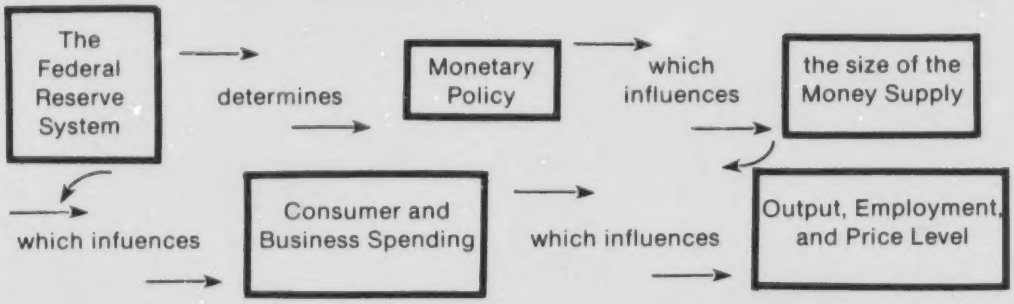
a. The impact of **the Feds'** interest charge to member banks is limited because banks are expected to operate so that they don't need to borrow expect to meet temporary or unusual cash drains. A local banker should be invited to discuss how the discount rate affects his bank's operation. (Perhaps develop a directory of effective local speakers representing various financial institutions.)

b. Arrange a visit to the Federal Reserve Branch Bank in Oklahoma City; and while touring, have the students ask specific questions about how the Federal Reserve System carries out its functions.

5. **Fluctuations in the interest rate and the availability of bank credit affect both the spending and saving decisions of society. These fluctuations influence consumer buying and business investment decisions which ultimately determine levels of output, employment, income and prices.**

   Economic fluctuations can be partially stabilized by the use of monetary policy which operates through a series of cause and effect relations. Help students to understand this chain effect by illustrating and discussing the following flow diagram.

Recession



6. **Fiscal policy is designed to help stabilize the economy through appropriate changes in government taxing and spending.**

   a. Ask each student to examine fiscal policy by studying the federal tax structure and tax rates or levels of government spending in recent years. In each case the student should prepare a report on how one or more tools of fiscal policy have been applied and how effective and appropriate this policy has been. Let students volunteer to be panel members and report their findings. Class discussion should then center around the **pros** and **cons** of previous fiscal actions to promote economic growth and price stability. Discuss how the war in Vietnam made objectives of fiscal policy more difficult to accomplish.

   BACKGROUND NOTE: Sometimes monetary and fiscal policies unfortunately conflict with one another. As the president and Congress try to deal with economic issues in ways they determine to be correct, they may often perceive **the Fed's** actions to be inconsistent with their programs.

GT b. Have selected students research the problems recent Presidents Nixon, Ford, Carter and Reagan have had with **the Fed.** Make a list of the problems the presidents have mentioned and **the Fed's** reaction to the accusations. Look especially for tight money policies used to deal with inflation and what effect they sometimes have on the whole economy.

   c. Have students research the following issues: **(1)** Is a balance of monetary and fiscal policy possible? Desirable? **(2)** What would be the appropriate mix of monetary and fiscal policy actions to take to provide for growth and price stability at this time?

7. **Monetary and fiscal tools must be skillfully applied to offset economic fluctuations. Monetary policy is generally more effective in fighting inflation, whereas fiscal policy is more effective in fighting depression. Each policy must be complemented by the other in the right "doses" for optimum effectiveness. Inappropriate application of monetary and fiscal tools may have destabilizing effects on the economy.**

   a. Have students read about the depression of the 1930s. Their readings should include information on the Hoover administration and Roosevelt's New Deal. **Human interest** stories and political cartoons published in the 1930s should be included also. Have the class discuss the monetary and fiscal measures which were implemented and other measures which would have been desirable. For example, have the students speculate on the probable impact of the Employment Act of 1946 had it been passed in 1926.

   b. Distribute copies of the page entitled **Handout.** As a class activity, discuss the alternatives, and have each student determine the appropriate use of monetary and fiscal tools for counteracting the inflation. The discussion should include consideration of the destabilizing effect which inappropriate decisions could have on the economy. How might the monetary and fiscal actions influence other problems such as unemployment, poverty, urban renewal and the quality of the environment?

MC c. There are two programs for use on the microcomputer available from the State Department of Education. One program illustrates variables used in forecasting. The other (Usecon) is much longer and utilizes many economic factors. **Usecon** can be used as a **game** which requires thinking and planning.

HANDOUT

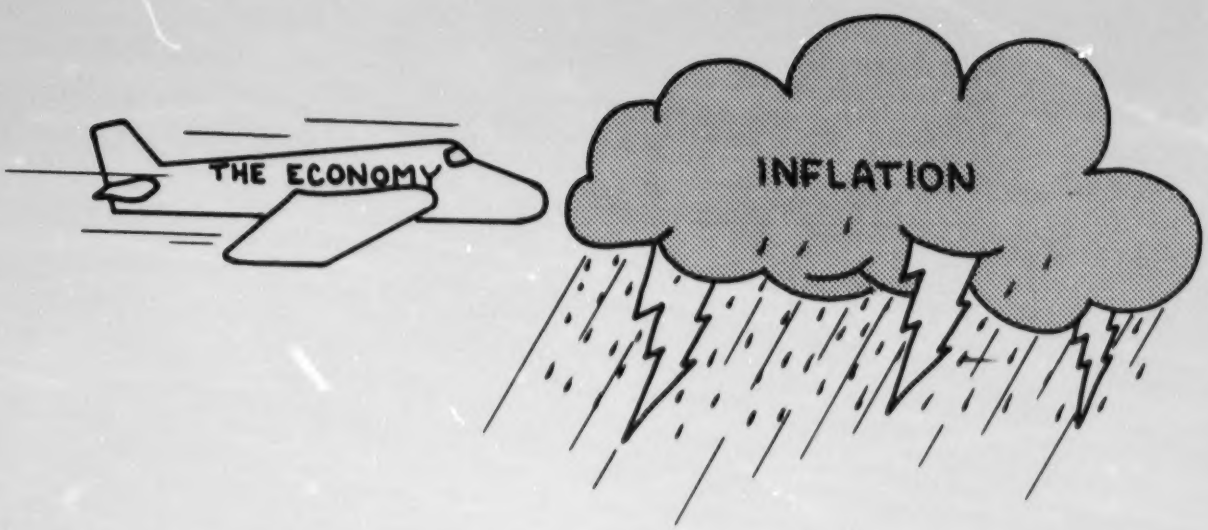
Among the goals of the American economy are a high level of employment, stable economic growth and price stability. Assuming the country is faced with mounting inflation, consider the following analogy: think of the economy as a giant airplane and imagine yourself as the pilot. The control panel of your plane consists of levers which represent monetary and fiscal controls. In reality the monetary controls are operated by the Board of Governors of the Federal Reserve System; the fiscal controls are operated by the executive and legislative branches of the government. However, you are to make all of the decisions.

Your plane is caught on the edge of a huge storm cloud known as inflation. If your plane continues on its present course, the storm (inflation) is bound to worsen and thereby threaten the safety of your airplane, its crew and passengers. What alternatives are open to you as possible maneuvers to help you get out of this storm?

On the following page is an illustration of your control panel. Assume the control panel is set for sustained flight under fair weather conditions before encountering the storm (inflation). Indicate whether you would increase (↑), decrease (↓) or not use (—) each manual control to save your plane (the economy) from the storm (inflation).

Also indicate how the automatic pilot controls will increase or decrease proportionally in response to the inflation storm. Actually, these automatic controls are known as automatic or built-in stabilizers because they move to counter the effects of the business cycle without the need for direct intervention by the policymakers.

Consider the danger of over-reacting and reducing spending so much that the nation may be thrown into a recession or even a depression. **STUDENTS SHOULD BE ASKED TO EXPLAIN WHY THE ACTIONS THEY RECOMMEND WOULD BE APPROPRIATE!**



Control Panel for Actions to Battle the Cloud of Inflation

Monetary Controls

Reserve Requirement	Discount Rate	Open Market Operations	Margin Requirements	Moral Persuasion	Credit Regulations on Durables	Credit Regulations On Housing
Higher / Lower	Higher / Lower	Sell More / Buy More	Higher / Lower	Easier $ / Tighter $	Easier $ / Tighter $	Easier $ / Tighter $

Fiscal Controls

Tax Rate	Defense Spending	Welfare Program Grants	Public Works Projects	Job Training Programs	Federal Budget
Higher / Lower	Higher / Lower	More / Fewer	More / Fewer	More / Fewer	Surplus / Surplus

Automatic Controls

Social Security Program	Personal Income Tax	Corporate Income Tax	Unemployment Compensation
Higher / Lower	Higher / Lower	Higher / Lower	Higher / Lower

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American History

AMERICAN HISTORY

Forces Shaping the American Economy Since 1860

Both domestic (internal) and international (external) economic forces have been very important determinants of American history.

On the Domestic Scene. The economy has been much influenced by special interest groups such as agricultural organizations, management groups and the multitude of other organizations for or against certain governmental functions. Of course each of these special groups has a primary interest in bettering its own concerns, but most groups are also genuinely interested in the welfare of all citizens in American society. In general, the special interest groups reflect democracy at work, and they do affect both legislation and the role of government agencies that implement legislation.

The influence of government on the economy has been and continues to be manifested through legislation, executive orders, court decisions, regulatory agencies and government spending. Government expenditures for a function such as national defense directly affect the allocation of our available resources.

Prior to World War II, one of the most disturbing economic problems was the cyclical occurrence of **booms and busts,** which culminated in the Great Depression of the 1930s. This economic catastrophe, subsequent developments in economic theory, and the availability of more accurate and current economic data provided the impetus for legislative action designed to promote economic growth and also to avoid wide business fluctuations.

Technological developments, industrial growth and specialization of labor have all contributed to the great interdependence among American people for goods and services and to continuing improvement of the overall standard of living. However, some Americans have received little benefit from industrialization and are at the level of poverty, as it has been variously defined. The plight of these less fortunate Americans is further aggravated by inflation. Another problem of industrialized America is pollution and the related concern for restoring ecological balance to our environment. Solving these and other economic problems will be the challenge for the next generation

On the International Scene. The economic law of comparative advantage explains the motivation for trade between the United States and other countries. This law states that world production is maximized when each nation devotes its labor and other resources to producing those goods and services in which it has the greatest relative advantage. If there are no barriers to world trade in the form of tariffs and quotas, each nation exports those goods and services which it produces most efficiently and imports those goods and services which it would produce less efficiently, if at all. This exchange provides more goods and services at lower costs to consumers of all trading nations.

During the early stages of a country's economic development, the nature and magnitude of its exports and imports differ from its trade pattern at later stages of development. For example, during the early 1800s the United States primarily

imported finished goods and exported raw materials; today the reverse is true, although many agricultural and primary products are exported. In the early stages of development, nations lack the necessary capital for investment in private and social development, nations lack the necessary capital for investment in private and social goods; thus, these nations borrow from other countries in order to build such facilities as roads, dams, hydro-electric power plants, and schools which are necessary to support industrial growth.

Two other important concepts introduced in the context of world trade are *balance of payments* and *balance of trade*. The former is an accounting statement which reflects all transactions of a country and its citizens with the rest of the world during a specified time, usually a year. If the receipts to the United States from foreign countries are greater than payments to other countries in a particular year, the balance of payments will reflect a **surplus.** Conversely, if payments are greater than receipts for the year, there will be a **deficit.**

Balance of trade refers only to the relationship between a country's imports and exports of private goods and services. Because of international military and political commitments in recent years, the United States has had a deficit in its balance of payments even though it has enjoyed a surplus in its balance of trade.

Special problems in world trade arise from the fact that each country has its own money. Consequently, each nation must export to earn foreign currency needed to pay for its imports. Foreign exchange markets and various international financial institutions facilitate world trade.

DEFINITION OF TERMS

economic growth	An economic condition which exists when a nation is steadily better able to satisfy its wants by increasing the level of per capita gross national product (GNP)
fiscal policy	A plan of federal government taxing and spending designed to promote economic growth and price stability
foreign exchange market	Financial center where foreign and domestic currency is bought and sold
inflation	A widespread rise in the prices of goods, services and resources
monetary policy	A plan of Federal Reserve System actions to control the rate of growth of the money supply at a level appropriate for economic growth and price stability
special goods (public goods)	Goods provided by the government which help satisfy the collective wants of people; usually the goods are such that people as individuals are unable or unwilling to provide them efficiently
specialization (division of labor)	A situation in which an individual makes only a certain part of a good or service, or when a nation produces those goods or services that are best suited to its resources

AMERICAN HISTORY

Both domestic and international economic forces have been very important determinants of American history.

On the Domestic Scene

1. **Government can affect economic conditions through executive orders, legislative acts, court decisions, regulatory actions, taxing and spending.**

   a. Provide a list of significant, historic governmental actions that influenced the economy and have each student choose one on which to research and report. The student should prepare to explain the governmental action, describe its purpose and interpret its effect on the economy. Different governmental actions such as the following might be suggested.

Executive order:	Roosevelt's Bank Holiday
Legislative Act:	Homestead Act of 1895
Court Decisions:	Sugar Trust Case of 1895
Regulatory Agency:	National Labor Relations Board or Federal Trade Commission

   Additional items could include the Wilson-Gorman Tariff Decision of 1895; the Federal Reserve Act of 1913; President Carter's grain embargo and the like.

GT b. More advanced students may be assigned a paper comparing several of President Eisenhower's policies with those of President Truman concerning the following issues: wage and price controls, aid to foreign countries, labor union legislation and national defense.

2. **The historical occurrence of recessions and depressions, epitomized by the Great Depression of the 1930s, provided impetus for legislation to enhance economic growth and ease business fluctuations.**

   a. After a study of the Great Depression in the 1930s, members of the class should try to answer the following questions:

      (1) What attitudes grew out of these hard times? Compare these with related attitudes of young adults today.

      (2) What legislation was passed and what programs were instituted to avoid a recurrence of the depression?

      (3) What is meant by fiscal policy? What is its purpose?

3. **All government expenditures affect the allocation of resources in the economy.**

GT a. Have the class analyze expenditures of the federal government during a particular year and then recommend changes in allocations. Students should make logical projections of the total effect of the changes they recommend. Some of the recommended changes might become the basis for interesting class debates. Relate discussions to Reagan's Federalism program and its effect on government programs.

b. Have each student write a short paragraph on what he thinks would happen economically if no military expenditures were made during peacetime. For example, what if all military bases were closed? Then conduct a class discussion on the question: How do peacetime defense expenditures affect the economy of your city? Your state? Your nation?

4. **Various organized groups of people with special economic interests influence governmental actions which affect the allocation of resources.**

Divide the class into groups; each will study the goals and objectives of a particular special interest organization such as labor union, farm organization or management groups. Role play lobbyists who might represent the respective interest groups and their opposition. The lobbyist should stress the importance of the people he or she represents, and should define his/her economic role before presenting a proposal to Congress for specific legislation which would benefit the particular group. The class should determine what effect this legislation would have on the overall economy and then vote on the proposal to make it compatible with the general welfare.

5. **Marketing innovations facilitate the exchange of goods and services.**

a. Define and explain innovations such as checking accounts, credit cards, electronic funds transfer (EFT), mail-order houses, wholesalers, supermarkets and shopping centers, specialized financial institutions and changes in transportation and communication. Then have the students role play exchange of goods and services depicting:

(1) the convenience of the barter system
(2) the efficiency of using money as a medium of exchange
(3) the added convenience and efficiency of using all of the modern marketing innovations

GT b. Analyze the potential of EFT, currency and checking accounts for future use in making essential fund transfers. Then answer and prepare to discuss the following question: Will paper currency be used less by the year 2,000?

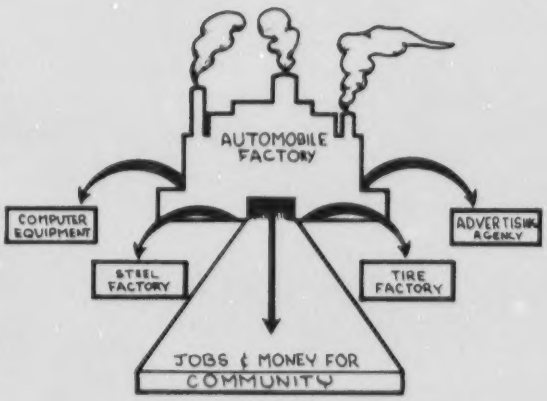
6. **Technological developments help to produce a higher standard of living.**

Through class discussion compare the standards of living of the early 1900s and today. Consider such things as the quantity, quality and variety of goods and services available and attainable as well as general working and living conditions. Students could also prepare reports on the effects of specific inventions such as the steam engine, automobile and airplane.

7. **Increasing interdependence among people results from increasing specialization in the production of goods and services. This specialization is fostered by technological developments, industrial growth and urban expansion.**

a. Present the following situation to the class:

In early America, people produced most of the goods and services they needed by making them themselves. Today Americans depend on workers throughout the United States for goods and services. What has brought about this increased interdependence?



b. Class discussion should bring out student suggestions of factors which contribute to economic interdependence. One large manufacturer will usually involve many smaller firms in the production process and thus contribute to much higher total employment. Consider also the increasing need for more services from grocery stores, filling stations, banks, barber shops, etc.

c. After the discussion, have each student construct a flow chart showing the development of interdependence and provide the rationale for it.

8. In spite of its great affluence, the United States has many economic problems which require positive action from a competent citizenry.

GT a. Ask each student to make a list of current economic problems in the United States based on observation of the news on TV or in the newspaper every day of the week. Members of the class can consolidate their lists of problems and select a few issues to research. Each student should then write a summary report indicating:

(1) the nature of the problem studied
(2) probable causes
(3) possible solutions
(4) the likely consequences

b. A few of the best reports should be circulated among the students. The class might elect to study some economic problem that exists in their community.

On the International Scene

1. **World trade provides for specialization in production as does trade within a nation. Each region or nation can thus specialize in goods which it can produce most efficiently in relation to the other regions or nations of the world. In economics this form of specialization is known as "comparative advantage."**

   a. Have students defend or deny this statement: "The U.S. had a comparative advantage in relation to all other countries in the production of cotton from 1835-1861."

   b. Have student groups study and report how this country's **comparative advantage** for producing certain electronic equipment, steel, textile products and small automobiles has changed with the rapid economic development of several other nations since World War II.

   GT c. Have selected students complete research to determine if a particular country has **comparative advantage** producing a particular product today. If so, how and when did the country acquire that comparative advantage?

2. **International exchange of goods and services between two countries is beneficial to both because it provides more goods and services at lower costs to consumers.**

   Have students prepare a list of products around the home or in the school which might not be available if it were not for world trade. Note that without imports, the price of many other goods might be higher because U.S. businesses would not be competing with low-priced imports.

3. **Exports are economic goods and services we sell to other countries. Imports are economic goods and services we buy from other countries. When the value of the goods and services which are exported exceeds the value of the goods and services which are imported, a nation experiences a "favorable" balance of trade.**

   a. Prepare a **U.S. Balance of Trade Chart** having two headings: *Exports* and *Imports*. List each of the following items under the correct heading in the chart.

      (1) the allowance provided an exchange student in the United States by his parents in West Germany (import)
      (2) your tuition for summer classes in Barcelona (export)
      (3) country music albums made in Nashville, Tennessee, and sold in England (export)
      (4) the new Renault you have just purchased (import)
      (5) sale of cotton to another nation (export)
      (6) television sets produced in Japan and sold in the United States (import)
      (7) interest paid to Canadians on loans they have made to American industry (export)
      (8) income paid to an English singer for concerts given in the United States (export)
      (9) profits made by a U.S. corporation's plant in Canada (import)

4. **As a nation develops and grows, the nature and magnitude of its exports and imports changes.**

   a. Designate several students to research the level of certain exports and imports over a specific time period. To initiate this project, the teacher could prepare a list of goods and services the United States:

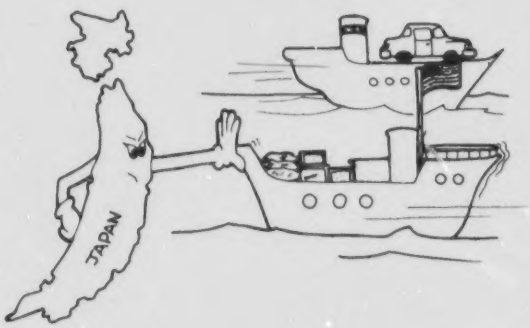
      (1) imports and exports today
      (2) imported and exported from 1915-1981.

      Students report their findings to the class; general discussion should evolve around the changes in the nature and magnitude of American exports and imports during the last century. Include in discussions the 1974 oil embargo and its effect on Americans.

5. **Although free trade among nations tend to foster a more efficient allocation of resources and a higher standard of living, some domestic industries may have serious difficulty competing on world markets. Trade barriers in the form of protective tariffs and import quotas are supported by the argument that protection is needed because of: new industries, national defense needs and competition from "cheap foreign labor."**

   a. The teacher should briefly present the arguments for and against free trade. Then, let the students devise a questionnaire to be answered by various leaders in the community (and elsewhere by mail) regarding their position on free trade. The students may wish to ask two businesspersons with opposing views to come to class to discuss the reasons for their opinions. Write U.S. Steel and the Catepillar Tractor Company for opposing views on world trade controls.

   b. Ask students, 'Why were the following put into effect, and in your opinion, which provisions hinder and which help the average American consumers?'



      (1) the first U.S. tariff, July 4, 1789 (revenue)
      (2) Tariff of 1824 (protection of U.S. industries)
      (3) quotas of sugar and coffee (to aid underdeveloped countries, so a number of countries can export primary products)
      (4) The Reciprocal Trade Agreement Act, 1934 (lower trade barriers)
      (5) General Agreements on Tariffs and Trade, 1947 (GATT) (lower trade barriers)
      (6) present tariff on steel and quotas on wool (national defense)

   c. Discuss the question of whether completely free trade among nations will ever exist. (Wilson's 14-point plan for world peace could be included in this discussion.)

GT d. Research how the American economy has been effected by trade barriers used by other countries in the past 20 years. Consider the issues relating to how the Japanese alledgedly subsidize some of their exports and establish trade barriers against the import of certain products.

6. In the early stages of development, nations lack the necessary wealth for investment in capital to increase production of private and social goods.

a. From 1776 to 1914 the United States was a debtor nation. From 1914 to the present time, the United States has been a creditor nation. Research these questions:

(1) Why did the U.S. borrow money from foreign sources in the earlier period?
(2) How was the borrowed money used?
(3) How did the U.S. move from a debtor nation to a creditor nation?
(4) Is it necessarily bad to be a debtor nation? Explain.

7. A *balance of payments* is an accounting statement reflecting all transactions of a country and its citizens with the rest of the world during a specified time, usually a year. *Balance of trade* is the relationship between a country's imports and exports of goods and services.

a. Help students differentiate between balance of payments and balance of trade. The teacher should obtain a current trade table and show it to the students. Then ask them: "What are the most important reasons for the chronic deficit in U.S. balance of payments? Do you think the deficit will continue? Why or why not? What actions should the U.S. take?

b. Discuss the major results and benefits of the Good Neighbor Policy in Latin America. Make a map of Latin America showing where various natural resources are located, especially those in which the U.S. is interested.

8. **Special problems in world trade arise from the fact that each country has its own money. Consequently, each nation must export to earn foreign currency needed to pay for its imports. This problem is further complicated by fluctuations in currency value.**

   a. The following example illustrates how changes in the value of the dollar affect our imports and exports.

      A Japanese farmer wishes to buy 1,000 bushels of soybeans at $.66 per bushel in November. The exchange rate has changed to Y260 = $1.00. Assuming soybean prices have not changed, how much will it cost the Japanese farmer to buy the soybeans?

      The Japanese farmer is buying 1,000 bushels at $.66 per bushel. 1,000 x .66 = $660.00.

      How many yen will it cost the Japanese farmer to purchase $660 worth of soybeans in U.S. dollars?

      November
      $660 x Y230 = Y151,800
      March
      $660 x Y260 = Y171600

      In November, the farmer will have to pay his bank 151,800 yen in order to purchase $660 worth of soybeans in U.S. dollars.

      In March, the farmer will have to pay his bank 171,600 yen in order to purchase $660 worth of soybeans in U.S. dollars.

   b. Using the given exchange rates, compute the following exchanges. Then determine from your answers the effect devaluation has had on the prices of our imports and exports.

ITEM	IMPORTING	EXPORTING	PRICE	6/1/77	6/1/78	6/1/79	5/30/80	6/1/81
10,000 lbs. soybeans	Japan	U.S.A.	$.28 per pound	¥277=$1	¥221=$1	¥221=$1	¥223=$1	¥223=$1
5,000 bushels wheat	Germany	U.S.A.	$3.50 per bushel	DM2.36=$1	DM2.09=$1	DM1.91=$1	DM1.78=$1	DM2.36=$1
200 pairs Levis	France	U.S.A.	$16.00 per pair	F4.95=$1	F4.59=$1	F4.43=$1	F4.12=$1	F5.59=$1
1 Car	U.S.A.	Japan	Y900,000	$1=¥277	$1=¥221	$1=¥221	$1=¥223	$1=¥223
1 ton of Steel	U.S.A.	Germany	DM20,000	$1=DM2.36	$1=DM2.09	$1=DM1.91	$1=DM1.78	$1=DM2.36
Porcelain	U.S.A.	Holland	G100	$1=G2.46	$1=G2.24	$1=2.1	$1=G1.95	$1=G2.62

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Basic Business

BASIC BUSINESS

There are two general approaches to the inclusion of economic education in the business curriculum. One approach is through the offering of course(s) in economics; the other is through the integration of subject matter of an economic nature in existing courses. These two approaches are complementary rather than mutually exclusive. The ideal approach would include integration of relevant economic concepts and at least a one-semester capstone course in general economics at the twelfth-grade level.

The modern philosophy of business education encompasses both the vocational objective and the general education objective. Thus, today we have a dual objective philosophy involving education for business, and education about business and our economic system. One objective is met through the specialized or vocational phase of the business curriculum which prepares youngsters for employment in office or distributive occupations. The other objective is met through the general education phase of business education, often called basic or social business education. The list of subjects offered to meet this objective includes general business, consumer economics, business law, business organization and management, advanced basic business, economics and economic geography. Few schools offer all of these subjects, but a large majority offer some basic business courses.

While some economic concepts are offered through the vocational subjects, the major contribution of business education to economic education is made through the basic business subjects. In fact, economic education is the real objective of basic business although the emphasis differs according to the nature of the content of the various basic business subjects. Some emphasize personal economics, while others stress societal concepts.

Several of the vocational business subjects, however, do offer opportunities for the inclusion of economic topics. For example, bookkeeping or accounting, normally taught with a vocational emphasis, contains many units into which economic understandings may be incorporated.

With the teaching of the income statement, the following economic concepts concerning profits may be developed: **(a)** profit is a reward for initiative and risk bearing, but unexpected losses may occur instead; **(b)** profit is the motivator of our economic system.

With the study of credit in connection with purchases or sales of merchandise on account, an analysis of the following points would be appropriate: **(a)** credit in its relation to purchasing power; **(b)** the effect of credit transactions on the price level; **(c)** credit as a factor in economic stability and growth.

In the units dealing with taxes and payrolls, students may gain insights such as the following: **(a)** businesses as well as individuals pay large sums of money each year in taxes; **(b)** government budget policy, if appropriately developed, can play an important stabilizing role in the economy; **(c)** it is a fundamental responsibility of every citizen to participate constructively in economic decision making by governments.

In the accounting subject matter dealing with forms of business organization, the teacher can help students better understand that: **(a)** specialized needs of our society call for different forms of business organization; **(b)** businesspersons adopt that form of organization which seems best for helping them organize and carry on their particular activities; **(c)** separation of ownership and control in large corporations has resulted in a new type of decision making based upon stewardship of expert managers.

Some understanding of the economic importance of capital formation can be achieved along with accounting for the acquisition, depreciation and disposal of plant and equipment. For instance: **(a)** many kinds of capital, or man-made aids to production, are essential for the production of goods and services; **(b)** saving and investment are necessary in our economy to provide those tools of production; and **(c)** variations in the amount of investment in capital goods have important effects on the total economy.

Textbooks in typewriting and shorthand contain some material that is of an economic nature. Instruction in information processing may be either general or vocational. However, a basic understanding of the effects of automation on both business and the individual should be understood by everyone.

General business is the most popular of the basic business subjects. The objectives and content of this course have changed significantly through the years to the emphasis today on both personal and societal economic concepts as a part of general education. Modern business educators recognize the value of following the development of personal skills and abilities with study and understanding of broader economic concepts at the senior level.

DEFINITION OF TERMS

capital formation	The creation of capital goods made possible through savings
demand	At a given time, the quantities of goods, services and resources purchasers are able and willing to buy at all the possible prices
economic growth	An increase in Gross National Product (GNP) per capita
electronic funds transfer systems	Methods of crediting or debiting accounts without creating checks or deposit slips
entrepreneur	The businessperson who not only has the know-how of combining resources to produce goods or services but also is willing to risk making either a profit or a loss
Federal Consumer Credit Protection Act	Law that allows credit card users to withhold payment for disputed charges without penalty
Federal Equal Credit Opportunity Act	Law that forbids denial of credit for disciminatory reasons
financial institution	A business, such as a bank, credit union, small loan company, savings and loan company, insurance company or mortgage company that borrows savings of individuals and businesses to lend in usually larger quantities to other individuals and businesses
gross national product (GNP)	The money value of all goods and services produced within a country during a specific period of time, usually a year
inflation	A widespread rise in the prices of goods, services and resources
national income	The total net earnings for the production of final goods and services during a specific period of time, usually a year; (GNP minus depreciation allowances and indirect business taxes)
prime rate	The interest rate major banks charge their most credit-worthy customers

BASIC BUSINESS

Financial institutions fill a vital role of service to the individual consumer and an equally important intermediary role in national resource allocation and monetary policy.

Money and Banking Services

1. **Today money consists of coins, paper money, called currency, and the demand deposits which now suport payments by credit card as well as by check.**

   a. Ask some of the students who have checking accounts to discuss the procedure for opening an account. They should realize that the terms 'checking account' and 'demand deposit' have the same meaning. Have the students research the extent to which most money is held in the form of checking accounts and how the various credit cards and bank cards are helping to reduce the number of checks customers use to withdraw funds or make payments.

   GT b. Have selected students find why financial institutions are willing to invest in 'automated tellers' and related electronic devices. Their report to the class should include a reasonably well-supported estimate of the expected increase of such equipment in the next decade and the extent to which customers may increasingly use bank or credit cards instead of writing checks.

2. **Banks can increase the immediate purchasing power of individuals and businesses by granting them loans.**

   Have a few students interview a loan officer at a local bank to discover the procedure and factors involved in making business loans. Have the interviewers then relate their findings to the rest of the class through role playing. Discuss the additional purchasing power which resulted from the loans and its impact on the economy.

3. **The real cost of borrowing money is the future purchasing power one must give up plus the additional cost of paying interest for borrowed funds.**

   a. Have the role players (in the previous activity) demonstrate how borrowing money costs not only the amount of the loan plus interest, but also certain future purchases of goods and services because future income is obligated to paying off the loan. Lending innovations such as variable rate loans should be considered. (Then discuss how a business may be able to increase its net income through 'credit leverage,' such as by borrowing money at 12% and investing it to earn a 15% rate. Consider the risks and advantages of borrowing by businesses.)

GT b. Arrange for students to contact selected businesses that depend heavily on borrowed money. Students will interview one or more financial officers of a business to learn how credit is managed. They will explore how adjustments may have been necessary because of interest rate changes, how operating costs are affected and the overall affect on net income. Then students will present reports to the class for further review and analysis.

MC c. A program for the microcomputer is available from the State Department of Education which illustrates the value of a dollar in future years using the present dollar value formula.

4. **The supply of money in the economy can be uniquely expanded or contracted by the banking system.**

   a. Have students work several simple exercises on the 'creation of money' through loans made possible by new deposits in the banking system. Change the reserve requirement periodically to demonstrate the effectiveness of that tool.

   b. Other activities which might be considered:

      (1) Field trips to financial institutions by either the entire class or by small committees. Follow-up reports should compare and contrast functions, services and roles of the different categories of institutions.

      (2) Preparation of a chart showing the major flow of money payments in the local community.

      (3) Preparation of a chart showing how the value of the dollar has fluctuated over a period of time. Have a student bring both an old mail order catalogue and a new one to class so that prices 'then and now' can be compared.

(4) Such questions or problems as the following might be suitable for student reports, panel discussions or general class discussions:

(a) How do upward and downward changes in the price level affect the economic status of different social groups?
(b) If prices rise by 50%, what does this mean and what is the probable effect on the value of money?
(c) How much money is enough, or when is there too much or too little?
(d) How are creditors and their income affected by inflation?
(e) How does the Federal Reserve System try to stabilize price levels in the economy? (Include the three primary tools: reserve requirements, discount rates and open market operation.)
(f) Why do interest rates rise?
(g) How are bank loans and deposits related?

(5) Ask students to check newspapers and periodicals for related information that could be arranged on bulletin boards.

GT c. Consider how federal taxing and spending (fiscal policy) could complement federal reserve actions under given situations. Analyze the relationship between monetary and fiscal policy actions.

Using Credit Wisely

1. The budget is an estimate of all income and expenditures for a given period of time (including borrowed money and interest plus principal payments).

a. Have each student select an imaginary salary he or she expects to be earning in the first year of full-time employment after graduating. Then the student should prepare a budget of expected income and expenditures for the year. The budget should reflect each student's carefully considered valued judgment about goods and services that are most important after the basic food, clothing and shelter needs have been fulfilled. Include all taxes, family commitments, charitable contributions, etc. Then select students to prepare their respective budgets for class discussion. Have the student justify his/her plans to borrow from financial institutions rather than operate on a 'pay-as-you-go' plan. Report the total interest cost of borrowing to buy an item, and consider the level of credit in relation to the level and certainty of income. Are provisions made for emergencies?

MC b. Students could input into a microcomputer the anticipated salary as well as the costs expected for all budgeted items; then program the machine to compute percentage changes. Input a 10 percent annual increase in overall prices and a salary increase of seven percent. Print out the budget which would result from these changes and make adjustments as necessary.

GT c. Compute how changes in the consumer price index would affect the overall budget. Analyze the relationship between career fields and levels of income projected in the foregoing activity.

2. **An individual or family uses consumer credit to supplement current income. These borrowed funds increase the current purchasing power of the individual or family, but are a claim against future income.**

Have students list purposes for which persons borrow money or buy on credit. Then have student groups prepare two-part situational reports setting forth realistic circumstances wherein **(a)** it would seem desirable and **(b)** it would not seem desirable for persons to borrow for each of the purposes previously listed by students. In doing their reports, student groups would benefit from discussions with loan officers of local financial institutions. Following class discussion of the reports, the students should be able to prepare conclusions and generalizations concerning the various uses of credit.

3. **An individual or family may borrow money or obtain goods and services on credit from many sources.**

Ask students to collect information about the kinds of institutions in a local city that extend credit, e.g., commercial banks, savings and loan associations, credit unions, consumer finance companies, pawn shops, firms granting installment loans, etc. Develop a procedure whereby students can compare the cost of credit from the various institutions. Include payment requirements, any penalties for advance payments, etc.

4. **Creditors (or lenders) are willing to forego current purchasing power in order to gain additional future income in the form of interest. Debtors (or borrowers) are willing to repay the principal amount plus interest in order to increase present purchasing power.**

a. Explain the statement, 'One man's debt is another man's asset.'

b. Have a panel discuss the important uses of credit in business enterprises, pointing out some of the similiarities and differences between how credit is used by a business and how it is used by individuals. The panel could include loan officials from financial institutions as well as other business representatives. Ask someone from the credit bureau to discuss the consequences of failing to maintain a satisfactory credit rating, the functions of a credit bureau, and the use of credit reports.

c. Prepare charts comparing the trend in the federal debt with the trend in total state and local debt in recent years. Also prepare charts comparing the federal debt, GNP, and total personal and corporate debt over a period of time. Discuss changes in relative proportions.

GT d. Debate the merits of an amendment to the federal constitution that would require a balanced budget each year.

e. Request supplementary films and educational materials from state financial associations; e.g., the Oklahoma Bankers Association, the Oklahoma Consumer Finance Association and the Oklahoma League of Savings and Loan Associations.

f. Have a student committee determine why the costs of credit fluctuate from time to time and relate this phenomenon to the reason why prices of other goods and services fluctuate. (Solution: all prices are largely determined by the basic forces of supply and demand.)

g. Consider what would happen to the availability of high risk loans if the government were to declare that interest rates could be no higher than five percent.

5. Legislation provides for some consumer protection from credit abuses, but this support must be buttressed with consumer competency if abuses are to be eliminated.

a. Request a speaker or educational materials from the Oklahoma Department of Consumer Credit or the Attorney General's Office.

b. Discuss the significance of the information disclosures required by Oklahoma's Uniform Consumer Credit Code (UCCC) such as due date, annual interest rate, etc.

c. Discuss the role of the local Better Business Bureau, Consumer Counseling Office or other voluntary agencies.

MC d. A program for the microcomputer is available from the State Department of Education which illustrates mortgage payments on a home at different interest rates.

Savings and Investments

1. **Personal savings result when an individual earns more income than is spent for all goods, services and taxes.**

   Present the following hypothetical situation to the class for discussion.

   > One family buries savings in a tin can in the back yard. Another family deposits money in a bank which pays interest for use of the money. What is the effect of each family's actions on the economy?

2. **A person's inclination to save or spend is influenced by the level of income, family responsibilities, personal tastes and preferences, expectations of future needs and income, and the general economic condition of the nation.**

   Have the class enumerate characteristics of two hypothetical families which differ significantly in number of members, age and sex composition, the level of income, geographic location, etc. Then have the class members discuss the influence of these factors on savings and project the amount of monthly savings which they would consider appropriate for each family.

3. **Specialized financial institutions provide the saver considerable security and pay a moderate rate of interest while channeling savings into higher risk business investments.**

   a. Have the class compile a list of financial institutions in the community and then assign student committees to interview an officer of each type of institution to secure operational information such as:

      (1) the institution's major function
      (2) its primary source of funds and how much it pays for the use of these funds
      (3) to what extent its depositor's funds are guaranteed
      (4) how it primarily invests available funds and the interest rates it currently charges for various kinds of loans
      (5) what, if any, relations it has with other types of financial institutions in larger cities
      (6) what relations it has with other types of financial institutions in the community
      (7) how it is regulated by government agencies
      (8) how its operations are affected by general economic conditions such as inflation or unemployment
      (9) the various savings instrument and plans available

      Ask about personal services provided in the areas of money management, retirement planning, tax planning and personal investment counseling.

GT b. Students write a brief report on why we have so many different types of financial institutions, why interest rates differ on various business and personal loans, and how these institutions collectively serve the interests of both individual savers and business entrepreneurs. The students should perceive that financial specialists are usually more competent than are individual savers to analyze and handle the higher risk loans and investments. Explore the meaning of **prime rate.** Investigate the current prime rate and compare it with local rates for individuals and businesses.

c. Ask each student to recommend what a family should do with $5,000 of savings it doesn't expect to spend within a year. Then ask the class how its recommendation would change if the $5,000 were not needed for three months, for two years or for five years. The students should defend their answers. Note that one must be willing to accept higher risks for the opportunity of progressively greater earnings.

d. Students study alternative opportunities for placement of savings by contacting the various financial institutions that solicit savings. They then formulate guidelines for use in making decisions such as are required in the previous paragraph. Review new terms that are learned during this activity and discuss vocational opportunities in financial institutions.

e. Prepare a bulletin board display titled **Saving and Its Effect on Economic Growth.** A subtopic or theme could be **If you eat the seed corn, you can't plant it.**

4. From the viewpoint of the economy as a whole, investment means spending money to produce new capital goods. (The savings of individuals and business organizations make capital investment possible.)

a. Have the students list as many different types of capital goods as they can.

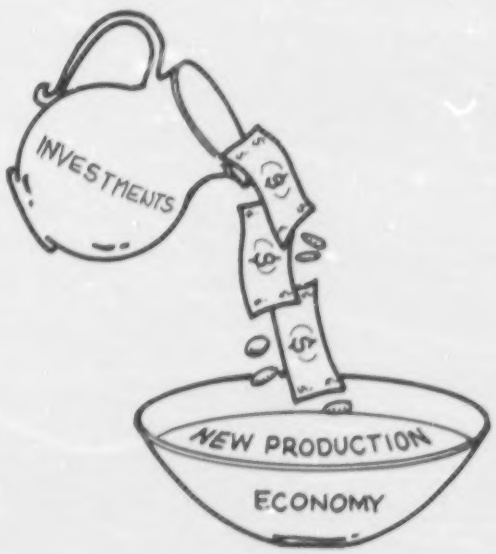
b. Prepare bulletin board displays showing and contrasting capital goods and consumer goods.

c. Assign the following topics to student committees for study and panel discussions:

(1) The difference between consumer goods and producer or capital goods

(2) the economic effects (on society) of an individual's building a family home (a consumer good) versus a business firm's building and equipping a new or expanded plant (a capital good)

(3) the economic difference between an individual's buying a share of previously



issued stock in the Ford Motor Company or General Motors and the investment by a businessperson in a new plant

(4) the economic difference between the decision by an individual to build a new home versus a decision to purchase a home that was built in some previous period

5. **Corporate savings provide one source of funds for capital (plant and equipment) expansion.**

Have a business executive visit the class to explain some of the factors that are considered when a business organization makes a decision to expand (a decision, in effect, to create new capital). Ask specifically for a discussion of factors that are considered in deciding whether to **(a)** retain earnings in the business (rather than pay them out in dividends), **(b)** raise money from outside the business (via other people's savings), or **(c)** use some combination of both. Also have the speaker discuss the role of depreciation allowances in replacing outmoded and worn-out equipment. Follow up with student papers on alternative sources of business finance--including such additional options as stocks, bonds and bank loans.

6. **Changes in the amounts of savings and investment have significant effects upon the level of national income, the level of employment and the rate of economic growth in our society.**

GT a. Have students investigate the following questions: If the amount of saving by all American citizens were to become greater than the amount of investment next year, what would be the effect on **(a)** capital formation, **(b)** the level of national income, **(c)** the level of employment, and **(d)** the rate of economic growth? How would these four factors be affected if the amount of planned investment were to become greater than the amount of planned savings.

NOTE: Savings not invested either directly or by way of financial institutions will tend to restrict total spending and the level of economic activity. Conversely, when national investment is greater than savings, total spending and the level of economic activity will increase. If the economy is already operating at full employment, additional investment over savings will usually increase inflation.

b. Discuss how important it is for the consumer to have a general understanding of how the entire economy functions. With this social economic under tanding, a person will be able to make better personal economic decisions and also contribute more effectively (as a voter and citizen) to governmental policies that will promote generai economic prosperity and provide optimum compensation for each person's productive work.

Additional Enrichment Activities

1. The allocation of resources

GT a. Assign GT students to leadership roles in class subgroups. Each group will represent the fictitious country of Soonerland. The country has the following resources and production capabilities:

(1) Ten acres of land, each capable of yielding a maximum of 100 pounds of food per acre; or the land may be used for industrial purposes, in which case the land contains enough raw material to produce 50 television sets, 30 cars and two homes per acre.
(2) The available labor force consists of 20 persons qualified exclusively as farmers and 30 skilled television and auto laborers.
(3) Enough capital equipment is available to produce 1000 pounds of food, 10 homes and 20 television sets.
(4) The people of Soonerland have the following wants: 800 pounds of food, 60 television sets, 10 cars and one home.

b. As the same resources cannot be used simultaneously to produce two things, ask each student to justify a preference on each of the following choices:

(1) a new Atari or a new wardrobe of cothes
(2) a new high school or a new highway
(3) a new missile or a herd of Charolais cattle
(4) a Volkswagen or a motorcycle

c. Students list reasons why citizens need to conserve natural resources.

d. Selected students research options being considered to conserve natural resources such as water, oil, gas, coal, land and forests. Give due consideration to opportunity costs in recommendations of a national conservation program.

3. Have the class explain the ramifications of the expressions **guns vs. butter** and **beat their swords into plowshares.**

2. Production costs

a. Explain why waste or theft of materials can increase the cost of production. How, in turn, would this increase in production cost affect the sales price to consumers?

b. Assign student representatives to ask local employers the following questions and report the findings:

(1) What kinds of taxes are you required to pay?
(2) How do taxes affect the production or sale of your product?
(3) Are your taxes higher this year than last?
(4) How do your taxes compare with those five years ago?
(5) How do your taxes compare with those ten years ago?

MC c. Use a microcomputer to determine the difference in monthly payments on a machine priced at $8,000 instead of $4,000. Assume payments over an 18-month period and interest computed at an annual 15 percent rate.

d. Generalizations and questions for student discussion.

(1) Explain how premarked merchandise in grocery stores, automatic teller machines at local banks, memory typewriters in offices and automatic tollbooths on tollways have increased productivity by reducing the amount of time it takes to do a job.

(2) If designer jeans have a higher material cost than regular jeans, what happens if material costs of just one kind of jeans increase? Who pays the cost? How is demand affected? Supply? Profits?

(3) Discuss: As a member of the work force, your productivity directly affects the profits of a business, which in turn affects supply, production and consumer costs

(4) If an employee's production rate is low, the employer might not keep him on the payroll; if the production rate is high, the employer will want to keep that person because the wage paid will be of less significance.

(5) Given that **Gross National Product (GNP) is the market value of all final goods and services produced by a nation in a given year, and can be measured by either the total spending or the total income of the economy,** discuss why a nation's standard of living depends on its total production. Will an increase in production efficiency help increase the standard of living?

e. Have the class research the increasing use of industrial robots. Explore how this innovation could increase productivity because of overall efficiency, eliminate problems of employee absenteeism, lack of motivation, etc. Also, discuss how such automation could cause some unemployment, career changes and general concern among the work force. How could such problems be resolved? (A few options: seek counsel from employees about anticipated changes, arrange retraining programs and elicit the cooperation of labor unions.)

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SELECTED AUDIOVISUAL MATERIALS

American Enterprise Film Series. Available on free loan from Modern Talking Picture Service, 1411 Slocum Street, Dallas, TX 75207.

Business Oriented Video-Cassette Programs. Available for free loan from the Oklahoma Council on Economic Education, 112 Business Building, Oklahoma State University, Stillwater, OK 74078 or from any of the Oklahoma Centers for Economic Education.

Consumer Choice. Multi-media teaching kit. Procter and Gamble, P.O. Box 14009, Cincinnati, OH 45214.

Give and Take. Twelve 15-minute television programs available via public television channels in Oklahoma and in other media forms. Further information is available from the Social Studies and Economic Education Specialist in the State Department of Education or from the Oklahoma Council on Economic Education office.

The Kingdom of Mocha. 26-minute film, free loan available from Modern Talking Picture Service, Film Scheduling Center, 2323 New Hyde Park Road, New Hyde Park, NY 11040.

For current information on additional materials available contact the following:

Social Studies and Economic Education Specialist
State Department of Education
Oliver Hodge Memorial Building
Oklahoma City, OK 73105

or

Executive Vice President
Oklahoma Council on Economic Education
112 Business Building
Oklahoma State University
Stillwater, OK 74078

For specific information about legislation relating to consumer credit legislation, contact the following:

State Department of Consumer Credit
460 Jim Thorpe Building
Oklahoma City, OK 73105

or

State Department of Consumer Protection
Attorney General's Office
112 State Capitol Building
Oklahoma City, OK 73105

CONSUMER ECONOMICS

The Individual as an Economic Decision Maker

Consumers can use economic ideas to help them make important decisions. While the study of social or societal economics is concerned with how a society allocates its scarce resources to produce, distribute and consume goods and services, the study of personal or consumer economics focuses upon how the individual or household unit allocates its scarce resources to satisfy personal needs or wants.

Individuals affect the economy as consumers, but also as workers and as citizens. They earn the income needed to purchase goods and services by producing goods and services, by selling labor or by investing money into income-producing assets. Thus, those who consume the goods and services of society also help to produce them. And as voters, individuals help to make decisions affecting the operations of government in relation to the economy.

The income of consumers and households is scarce relative to needs. Decisions must be made about which goods and services to buy and which alternative purchases to give up. Consumers must also decide what portion of their present income to save for security, for future needs or for increasing future income. To make these decisions they must be able to analyze the costs and benefits of the ways in which they allocate their resources.

Rational consumer decision making is made easier by developing a budget, a plan for spending and saving. A good budget allocates consumer resources to meet both short-term needs--like food, shelter and clothing--and long-term goals.

Obtaining product information and comparison shopping are important to consumers. They should also be able to develop criteria for making decisions about housing and transportation needs and purchasing clothing and consumer durables.

Public goods and services make a major contribution to the well-being of every customer. Students in consumer economics should know the kinds of goods and services that governments typically provide: those that private firms do not find profitable to produce or those that are difficult to sell only to willing buyers while excluding those not willing to pay. Students should also know the kinds of taxes used by their state and local governments and by the national government and also the kinds of public goods and services provided at each level.

Students in consumer economics need to know how to use credit wisely without abusing it. Credit makes it possible for consumers to enjoy costly goods, such as houses and automobiles, while they are paying for them rather than saving for a long period of time before making purchases. Credit also benefits society as a whole by stimulating the production and sales of goods and services. However, individual consumers can get into financial difficulties by borrowing beyond their ability to pay back, and society as a whole can suffer when credit creates excess purchasing power that drives up the price of goods and services.

Minimizing the financial impact of various kinds of misfortunes should be an important consumer goal. Students should learn the types of insurance available to deal with medical problems and associated income loss, with major property loses,

and with loss of family income after the death of a wage-earner. Students should learn about private insurance as well as the benefits available from state and national governments. A reserve fund of savings that can easily be converted into cash is also an important protection against unforeseen emergencies.

Whenever possible, some present income should be invested to provide for increased future income to meet long-term goals such as post-high school education for children and increased income for the saver after retirement. Students should be aware of the major types of investment opportunity and be able to evaluate the risks and benefits of each type.

The course in consumer personal economics should provide not only specific information about products and services but also a method of making rational choices that can be adapted to the changing needs of the consumer in years to come.

CONSUMER ECONOMICS

Because income is scarce relative to wants, consumers must make decisions about spending and saving.

1. **Individuals are involved in the economy as consumers, as workers and as citizens.**

   a. Have students interview parents, teachers and other adults to find out what decisions they have made recently as consumers, as workers and as citizens. What factors did they consider in making each of these decisions?

GT b. Students project developments they expect in their personal lives over the next 10 years. They should forecast criteria they would select to determine: career choice, post-high school education, major purchases and other critical life decisions.

2. **Because resources are scarce relative to wants, consumers must make decisions about what to buy and what to give up. Those goods and services that are given up are the 'opportunity cost' of those that are purchased.**

   Have each student make a list of five to 10 items that he or she wants. After all students have completed their lists, tell them that each has $50.00 to spend on items on the list. Have students choose the items on their lists they want most and explain why they chose them. The items they did **not** choose are the 'opportunity cost' of their choices. Have students explain why they gave up those items.

3. **Cost-benefit analysis is an important decision-making tool. Consumers should learn to evaluate the costs and the benefits of alternative ways of spending money and to choose that alternative which best suits their individual needs.**

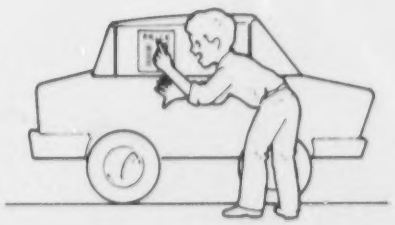
   Show students how to construct a decision-making matrix, which allows a comparison of criteria for making choices with available alternatives. For example, to make a decision about buying an automobile, have students use the decision-making grid provided in this section. This grid may be used to make decisions about almost any consumer topic, from buying applicances to choosing life insurance coverage. The students themselves should develop their own list of criteria for choice making and of available alternatives.

4. **A budget helps consumers make rational decisions.**

   Divide students into groups and assign each group a type of household for which to develop a budget. Examples of such households might be a family with young children, one with older children, a single parent with one or more children, a single person and a household with two adult wage-earners. Each household should be given the same monthly income; groups can compare budgets to see the similarities and differences. This activity might be extended throughout the course by having groups investigate appropriate housing, automobiles, insurance and other goods and services for their households.

5. **Knowledge about products and services and comparison shopping help consumers make rational decisions.**

   a. Draw up a list of common grocery products and have students find the prices at several different food markets. Compare total spending and also prices for each item.



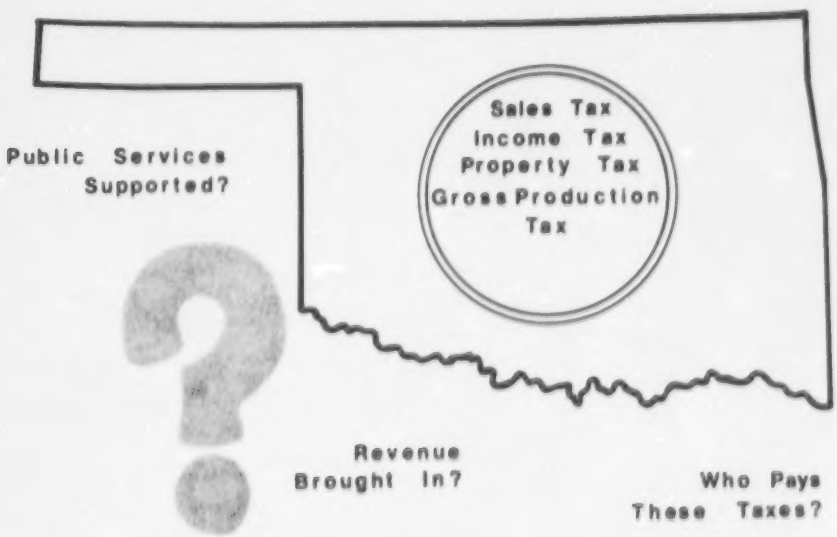
   b. Collect catalogs, consumer magazines, newspapers, and other sources of product information. Have groups of students develop criteria for purchasing consumer durables such as cameras, bicycles or stereo equipment and use the product information to decide which specific products are the best purchases for their needs.

GT c. Have students develop a consumer magazine or newsletter in which they research products commonly used by high school students and their families and report on alternative brands, rating each by quality, features and price.

6. **Governments provide important goods and services that cannot be supplied efficiently by the private sector. Taxes are used to pay for public goods and services.**

   a. Have students develop a list of goods and services provided by each level of government and decide why each of them would be difficult for private firms to produce efficiently. Some examples might be fire protection, dams, parks or national defense.

   b. Have students investigate major kinds of taxes used in Oklahoma, such as sales tax, income tax, property tax, and gross production tax, to find out how much revenue they bring in, who pays them, and what public services they support.



7. **Credit is useful both to the individual and to society, but abuse of credit can be injurious to both.**

   a. Obtain from department stores, finance companies and credit card departof banks, schedules of minimum payments for installment loans. Have students determine in each case how long it would take to pay off a $1,000 loan by paying the minimum payment each month, how large payments would be and how much total interest would be charged.

   b. Have students add to an already developed budget, such as the one discussed in activity 4, installments for a new car, payments for new furniture or appliances, and a department store charge of several hundred dollars.

8. **Insurance and a savings reserve are important guards against financial disaster.**

   a. Have students draw up a list of misfortunes that could cause a serious financial loss to each of the following households:

      (1) a single person
      (2) a family of four with one adult wage earner
      (3) a family of four with two adult wage earners
      (4) a retired couple

   b. What kinds of insurance should each carry? What government programs are available to supplement private insurance?

GT c. Have students learn about probability theory in relation to insurance and then study accidents in their school in order to determine the probability of future accidents, the probable costs, and the amount of insurance necessary to cover those costs. Also, they should make recommendations on ways to reduce the probability of accidents.

9. **Investments can help consumers achieve long-term goals.**

   a. Have each student invest an imaginary $10,000 in each of the following: corporation stock, a money market fund and certificates of deposit. Information on stocks and money market funds can be found in the financial section of major newspapers. Information on certificates of deposit can be obtained at a local bank. Have students keep track of their investments over a period of several months. Compare the rates of return that each individual earns on his own investments and also the overall rate of return on each of the three types of investments.

GT b. Form an investment club and then research all feasible sources of information about a particular investment and then make alternative recommendations to the class. The recommendation should include potential risk factors as well as possible earnings. Have the class follow the progress of the simulated investments to observe the outcomes that would have resulted.

DECISION-MAKING GRID

ALTERNATIVES	CRITERIA					
	gas mileage	price	comfort	room		

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RESOURCES FOR TEACHERS

The following publications are available free from the Oklahoma Department of Consumer Credit: E-82 Jim Thorpe Building, Oklahoma City, OK 73105.

Debtor's Rights
Dictionary of Credit Terms
Directory for Information--Help--Protection
Equality Under the Credit Law
Guide to Consumer Credit Code

Consumer education guides for students from nine to nineteen years of age are available free from the Cooperative Extension Service at Oklahoma State University. To obtain these guides, contact:

Shirley Hastings
4-H Program Specialist
448 Ag Hall
Oklahoma State University
Stillwater, OK 74078

Please specify the age level in which you are interested.

Many excellent free or low cost materials are also available from:

Education and Community Services
American Council of Life Insurance
1850 K Street, N.W.
Washington, DC 20006

Board of Governors of the Federal Reserve System
Publications Services
Washington, DC 20551

Federal Reserve Bank of Kansas City
Public Information Department
925 Grand Avenue
Kansas City, MO 64198

Federal Reserve Bank of New York
Public Information Department
33 Liberty Street
New York, NY 10045

Joint Council on Economic Education
1212 Avenue of the Americas
New York, NY 10036

National Consumer Finance Association
Educational Services Division
1000 Sixteenth Street, N.W.
Washington, DC 20036

Proctor & Gamble Educational Services
P.O. Box 14009
Cincinnati, OH 45214

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GEOGRAPHY

Geographers now tend to view their discipline in terms of four large traditions. Each of these approaches encompasses a number of sub-areas, and each overlaps the other. Pinpointing these four traditions, however, provides an outline within which to identify the areas to look for in the teaching of economics in geography.

The first approach is geography as *earth science*. This includes not only the technical aspects of map making but also the basic language of geography. This language is used in the study of topography, land and water forms, weather and climate, and the interaction of humankind with the environment. Included here, therefore, would be the study of air, water, and land pollution and its effects on all parts of the ecosystem. The earth science tradition also provides the language for the other three approaches.

This second approach is georaphy as *culture-environment*. Basic to this viewpoint is the perception people have of the space they occupy. For example, on early nineteenth century maps, the area we call the **Great Plains** was labeled **Great American Desert.** The lands were a barrier to conquer by persons searching for gold, furs and lush fertile valleys in which to grow fruits and vegetables. These lands became a prime agricultural resource to be used by a later generation with different economic goals and more sophisticated technology. The culture-environment tradition is also concerned with humans' use of environment. It assesses how the knowledge, technology and values of a people apply to environmental potentials. Such interaction clearly influences cultural attributes which develop, e.g., differing architectures in Sumer and Egypt at the beginning of civilization. Also important is the study of the distribution of populations and cultures, political boundaries and human reactions to space, time and value choices.

The third approach is geography as *location*. Here the concern is where natural resources are found and why people develop cities, transportation and communication networks where they do. Also included are the internal structure of urban areas and the hierarchical provision of services from the smallest to the largest urban area.

Finally, the fourth approach is geography as *area-analysis*. Here one investigates what makes a region. Frequently a region is not a self-evident entity but a mental construct whose boundaries change with the perspective of the person delineating the region. Regions can refer to areas as small as a **regional** grocery store or as large as the Rocky Mountains or Appalachia Mountains that include parts of a number of states.

The unifying theme in all four approaches is spatial expression in the language of maps. The study of economics in geography, therefore, uses two languages--the vocabulary of economics and representation by maps. In the ensuing activities several ideas are developed. Others could be expanded by the teacher to meet differing developmental and interest levels of students. Students are most interested when their studies have meaning in terms of what impinges on real life today. There is, therefore, a heavy emphasis on dealing with current topics of concern and dispute. Teaching style will determine how many activities will be undertaken by the total class and how often small groups in a class will choose various aspects of a topic to investigate and then to share.

GEOGRAPHY

Geography as Earth Science

Soil, elevation, topography, climate and stability set many parameters for economic activity. Such parameters may be ignored only in the short run without serious damage when resources in an area are used with no consideration for long-term ecosystem requirements. Parameters change with time. Both rural and urban uses of land, air and water may increase or decrease the efficient allocation of scarce resources.

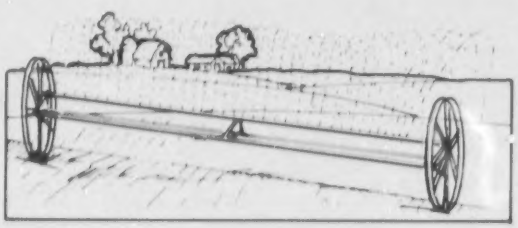
NOTE: The activities and ideas in this section relate to each other in clusters as listed rather than on a one-to-one relationship.

Western Oklahoma Farming and the Concern About Water

1. **Farms and ranches are units motivated by profit.**
2. **Increases in technology lead to increases in productivity.**
3. **Competent entrepreneurs seek the best possible combination of all the factors of production to achieve long-term productivity and profit.**
4. **Economically desirable policies are not always politically feasible, therefore it is necessary to develop economic trade-offs to secure political support.**
5. **The use of advanced technology may not be the most economical allocation of scarce resources.**
6. **The use of advanced technology along with the available factros of production may achieve the most efficient allocation of scarce resources. However, such allocation may also require economic trade-offs and political compromises.**
7. **As certain resources become relatively more scarce, changes must occur in the means by which goods and services are produced.**

ACTIVITIES

a. Ask a county extension agent to come to class to speak about the soil, rainfall and most 'natural' use of land in Western Oklahoma. The class should discuss why many farmers stopped dry-land farming and changed to irrigation farming. Students should investigate future sources of water for irrigation farming when the Ogallala acquifir is depleted. Their study should include the economic and political cost of securing reliable sources of water for Western Oklahoma. Current information is available from the Oklahoma State Water Resources Board, P.O. Box 53585, Oklahoma City, Oklahoma 73152.



b. Have students gather and chart information about gross and net farm incomes in Oklahoma over the period 1930-80. Possible sources for this information are library reference books, county extension agencies, the Oklahoma Farm Bureau, and the Soil Conservation Office.

c. Each student may select one county in the Oklahoma Panhandle and investigate the use of various farming methods which have been used in that county. They should also determine what effect each method has had in increasing agricultural output. Students may then present their findings to the class using bar graphs or other illustrations.

d. Assign the following statement for study and class discussion: "Western Oklahoma wheat farmers will be forced into bankruptcy by the year 2000 unless they change their methods of farming or undertake the trade-offs needed to convince the rest of the state to transfer large quantities of water to the west."

Cities and the Concern About Water and Waste Disposal Systems.

1. **A city cannot grow and prosper without clean water and sanitary sewage disposal.**
2. **Needs for city services may outgrow a city's tax base.**
3. **Needs for city services tend to increase from one generation to the next.**
4. **When towns outlive their usefulness as a separate entity, government allocations to keep them alive lack economic justification.**
5. **Economic allocations for city services always involve political decisions.**
6. **Sometimes it is necessary to develop political and economic trade-offs because of competing centers of politicl power.**
7. **All economic ventures must either make a profit or receive public subsidy to survive.**

ACTIVITIES

a. Have an appropriate local government official discuss the adequacy of the community's waste disposal. (Alternatives: Have class representatives interview several local politicians and/or staff people in the appropriate government agencies for this information or assign reading of back issues of local newspapers for the same information.)

b. The students should identify appropriate criteria such as the following:

(1) ages of water pipes
(2) percent of water lost to leaks
(3) purity of water from the faucet
(4) age of sewer pipes
(5) percent of sewage which reaches treatment plants
(6) quality of the discharge from sewage treatment plants
(7) sources of present funding for water and sewer needs
(8) alternative sources of funding available to maintain or improve water and waste disposal systems
(9) adequacy of trash pickup service
(10) adequacy of any sanitary land fill

c. Student debate: Our community does (or does not) have the economic base (or the political willingness) to support water and waste disposal at a level necessary for community health and for meeting government requirements.

GIFTED AND TALENTED IDEAS

1. **Someone must pay the cost of insurance protection.**
2. **Insurance is a more efficient and humane way to protect from disaster than is individual 'rebuilding.'**
3. **Costs of insurance vary according to replacement costs in different places.**
4. **Some disasters are so expensive to insure that only government has the resources to do so.**

GIFTED AND TALENTED ACTIVITIES

a. The class should investigate the costs of tornado or flood insurance in areas prone to such disasters. Points to be determined are:

   (1) How much of an economic burden is such insurance on the individual, home, business or government entity?

   (2) How do costs in the local community compare with costs in larger urban areas, smaller towns or rural areas?

b. Students investigate the economic impact of Mount St. Helen's volcanic activity on: farmers, home owners and government entities. The class may find out whether 'volcano' insurance exists and discuss its importance.

c. Undertake an investigation of how city trash or solid waste from feed lots can be used as an energy source.

d. Have each student prepare one of the following plans of action:

   (1) for Western Oklahoma Farmers to alter production methods
   (2) to meet a community's water and waste disposal needs
   (3) to use solid waste as an energy source

   The completed plan may be presented at a meeting of local government; in an article for the newspaper; or to a local business, professional or civic group.

MC e. Write a computer program to show economic effects of variables in any of the plans developed under activity (2) preceding.

Geography as Culture-Environment

When the balance of nature is disrupted, the economic price can be enormous. Pursuit of short-run profits may eliminate the possibility of long-run profits. The benefits of specialization must be weighed against other goals in society. Capital investment is essential in every area of the economy and requires saving. The use-and-discard philosophy of the American frontier has influenced current culutural attitudes.

Effects of Flooding on the Environment and the Economy

1. **Serious flooding frequently follows destruction of the natural ecosystem.**
2. **The costs of controlling flooding on some land presently outweighs the benefits which can be derived from the use of the land.**
3. **Sometimes the potential threat of economic disaster to the community is so great that government planning and regulation of land development is deemed necessary.**

ACTIVITIES

a. The class should investigate the incidence of increased flooding on the Ohio, Mississippi, and Missouri Rivers as well as rivers in Oklahoma such as the Arkansas and Canadian as the frontier moved westward.

b. Using data from an almanac or the U.S. Bureau of the Census, students may illustrate the correlation between population increases in areas along rivers and increased incidence and severity of flooding of those rivers. The class should discuss reasons for the correlation; e.g., destruction of vegetation, hard paving, and changes in the natural land slopes because of land grading and earthmoving.

c. From records in the County Assessor's office, students can determine when various areas were first cleared of trees or prairie grass. They may investigate water run-off in or around a selected area and discuss how the loss of vegetation might have increased water run-off and the potential for flooding.

d. Invite a speaker from a conservation group or regional planning agency to discuss with the class whether flooding is inevitable when land is brought under the plow or when large urban areas are developed. Ask the speaker to identify various methods to slow water run-off in already developed urban areas and in farm areas.

e. Invite a builder to discuss the costs of flood prevention related to residential, commercial and industrial development areas.

f. The class can discuss whether the individual or the community should decide what lands will be developed. Who should pay the cost of controlling floods--individual developers, a regional insurance pool, or government through taxes?

Automobile Competition

1. **Cultural expectations influence production decisions and employment practices.**
2. **In order to compete effectively in an industry, a company must find the most efficient mix of production resources.**
3. **A company's management practices can influence the productivity of its workers.**
4. **In a free market, consumers select from competing products the ones that provide the most satisfaction at prevailing prices.**

ACTIVITIES

a. Have the students investigate the U.S. Department of Labor publications or other sources for the:

   (1) number of auto workers laid off last year nationally
   (2) number of workers who were laid off from auto-related industries last year
   (3) number of foreign cars imported last year

b. Based on the information in (1), (2), and (3) above, students should determine why some American consumers seem to prefer foreign-made cars and why foreign producers may be able to market cars comparable to American models but at a lower price.

c. From articles in recent business publications, have students investigate differences between Japanese and American wages, overtime, paid holidays, medical insurance, unemployment insurance, management practices, employee allegiance to the employing company and worker opportunities to influence production procedures. Differing government support of industry will also be an important topic to study.

d. Have the students debate whether American industry can compete effectively in international auto trade if U.S. firms are confronted with comparatively high domestic costs of raw materials, labor and capital.

e. The class should discuss the theory of free trade, which states that everything should be produced by that country which can do so most economically. If free trade goods are produced internationally by countries having the greatest comparative efficiency, will everyone's standard of living go up?

f. Students should be encouraged to list some short-run problems which might occur; e.g., unemployment in industries which may not compete in a free trade environment, the need for workers to retrain and the loss of tax revenue otherwise available from firms that fail.

Choice of Plant Location

1. **A business will try to locate where it is convenient for the customers.**
2. **Some businesses require interaction with others, therefore, many firms may locate in one area.**

ACTIVITIES

a. Ask each student to select one of the following businesses for further study: automobile dealerships, gourmet restaurants, fast-food chains, churches, launderettes, department stores, variety stores, drugstores, dress shops, shopping centers, banks, pawn shops, auto repair shops, bicycle dealers, or motorcycle dealers. Use the telephone directory to determine the location of businesses in that category. The student should then plot all of the locations on a map of the community.

b. Each student should give reasons such as the following why these establishments are where they are:

(1) a prestigious location important for customers
(2) proximity to major streets or limited access highways
(3) services available near work or housing
(4) buffer from other types of economic activity
(5) profits from nearness to others of like type

GIFTED AND TALENTED IDEAS

1. **Certain cultural attitudes are associated with socio-economic identification.**
2. **Some cultural attitudes cut across socio-economic lines.**

GIFTED AND TALENTED ACTIVITIES

a. Students choose an area of interest and make a comparison of attitudes such as the following toward a phenomenon in the culture-environment tradition:

conservation	recreation choice
recycling	music choice
college	sports choice

b. A student chooses a question in the culture-environment tradition and constructs a survey questionnaire. The appropriate statistical techniques should be used for reporting the results.

MC c. The student may write a computer program for analysis of data secured in activity 2 preceding.

Geography as Location

Particular geographic features predispose some locations as sites of economic activity, e.g., proximity of rivers for transportation routes. Other locations are determined on the basis of cultural and political events and decisions, e.g., the selection of a city as a state capital. Economic development in a community or region depends on the various segments of the economic infrastructure, particularly the availability of transportation and communication. Cultural attitudes toward work and enterprise can support **or** destroy the economic advantages of a location's geographic features.

1. **One complexity of our decentralized political/economic system is that economic, geographic and political boundaries often do not coincide.**
2. **Location factors are the most important economic influences on patterns of trade of items that are widely procured.**
3. **Certain kinds of goods and services are produced and/or sold locally, others regionally and others nationally.**
4. **The transportation function is essential to economic development, and geographic factors often influence the modes of transportation that are available.**

ACTIVITIES

a. Help the students discover that Oklahoma is in many different regions. (Part of the state is in the Dallas Federal Reserve district and part is in the Kansas City district. However, the state is served by the Denver Federal Appeals Court.) Have the students interview local business people to determine if these and other different regional boundaries create any difficulties. They should also find what particular area most people feel is the primary source of **economic** leadership for Oklahoma

b. Students should survey local businesses to determine **(1)** where their local products are sold, and **(2)** from what regions and cities they purchase goods and services.

c. The class may make a map showing the 'lines of trade' discovered in activity b. and discuss why these lines exist. (Locations of raw materials, cultural preferences, regional specializations and/or cost of transportation may be some of the important determinants.)

d. Students should select an industry, such as automobile manufacturing, and illustrate the locations of these manufacturers on a world or U.S. map. Each student should explain to the class what geographic factors influenced the locations illustrated.

e. Have students use the newspaper want-ad section to determine and list the types of skills and services offered and requested. Using a similar list prepared by the teacher using a newspaper from a city outside the region, discuss the differences in services and goods offered and requested. Students should be encouraged in the discussion to identify differences in geographical factors between the two areas which account for differences in

economic activity; e.g., warmer vs. colder climate, proximity to mountains or ocean, population density and/or availability of transportation.

f. The class should investigate rail, road, water and air transportation available to the local community and illustrate these features on a regional map.

g. Ask local citizens employed in transportation, or representatives of the local Chamber of Commerce, to discuss with the class what effects the absence or presence of transportation facilities have had on economic development.

GIFTED AND TALENTED ACTIVITIES

The student may investigate how the potato famine forced Europeans to leave that continent. Using a U.S. map, the student should illustrate the settlement patterns of those who settled in the United States. In a written or oral explanation accompanying the map, the student should list geographic factors which may have attracted specific groups to particular areas.

The student should identify four or five raw materials necessary to modern industry, identify the regions of the world which provide the major portions of each, and illustrate these regions and their materials on a world map. In a written or oral narrative, the student should identify, for each region (or nation):

(1) the level of literacy, health conditions and standard of living
(2) the distributions of income and wealth among the residents
(3) the form or forms of government and degree of political stability of existing governments

As a conclusion to the explanation, the student should analyze the importance of these regions to the foreign policy concerns of the United States.

c. The student should select for analysis one of the following locations in which civilization began:

(1) the Tigris-Euphrates
(2) Nile
(3) Indus
(4) Hwang Ho River Valley
(5) the Andes of Northwest South America.

The student should gather information on the early high level of civilization which occurred and on current-day economic conditions in the area. Using the principles of production outlined in *Economic Ideas and Concepts Part I*, pages 6-8 (available from the Oklahoma Council on Economic Education), the student should determine and report in oral or written form why the location's long experience with settled agriculture has not allowed its people to overcome poverty.

MC d. Write a computer program illustrating the importance to a productive economy of the principles of production outlined in *Economic Ideas and Concepts Part I*, pages 6-8.

Geography as Area Analysis

Economic regions do not necessarily coincide with cultural or political regions. Cultural and political attitudes of people within a region sometimes interfere with economic development within that region.

1. **Economic, political and cultural regions are not determined by state lines.**
2. **Economic problems which cross state lines are not easily addressed by state governments.**
3. **Oklahoma is a state facing in many directions; and its political boundaries do not provide a homogeneous economic, political or cultural outlook.**
4. **Different cultural groups in the same economic regions will often use different cultural terms. Because many people living inside and outside of an economic region think in clutural terms, economic development is hampered when economic problems and development cannot be addressed by people with common points of reference.**

ACTIVITIES

a. Using back copies of the local newspaper, the class can list and group the datelines (place of origination) of stories on sports, business, recreational and cultural events and political events. From the list, the class should illustrate on a U.S. map--using circles of different colors--the areas of influence for each different category of news story.

b. Have the class use a U.S map without state boundaries to map the locations of major resources, e.g., oil, coal, iron ore, and transportation networks. The teacher should follow up with the following question for class discussion: 'Based on the information shown on the map, what regional boundaries would you suggest in place of the state boundaries?'

c. The class might identify and list the names of cooperative organizations which serve regions inclusive of two or more states.

d. Have the students survey classmates, parents and friends regarding opinions on regional affiliation questions such as the following: 'Is Oklahoma part of the South, the Middle West or the Southwest? Why?'

e. Students should analyze responses and reasons given to determine Oklahoma's placement with regard to culture, politics and economics. The class might then compile and discuss their findings with representatives of local business or civic groups.

GIFTED AND TALENTED ACTIVITIES

a. Each student should select for further study a region such as the American Southwest, the Communist bloc, Northeastern United States, Sub-Sahara Africa or the Middle East. After gathering and analyzing information about the region, the student should report his conclusions on whether or not the regional name refers to an economic region.

MC b. The student may write a computer program to compare economic data, e.g., average income, regional output of particular products, value of property, etc., for three regions of the United States or of Oklahoma.

What's GOOD About YOUR Community?

Your community check list. Rate the assets of your community 1 -2 -3.

Local Agriculture	Public Libraries	Water Supply	Family Living Conditions	General Appearance of Roads, Parks, Streets	Planning and Zoning
Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3
Local Industry	Public Health Facilities	Garbage and Trash Disposal	Family Income	Recreational Opportunities for All Ages	Parking Downtown
Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3
Local Stores	Availability of Doctors and Dentists	Fire Control	Community Organizations	Conservation of Soil, Water, Timber	Hotel and Motel Accommodations
Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3
Sources of Credit	Hospitals and Clinics	Flood Control	Parks and Playgrounds	Public Buildings	Attitudes of Local Residents to Progressive Developments
Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3
Job Training and Retraining	Nursing Homes for Aged	Condition of Houses	School Buildings	Road and Street Maintenance	Other
Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3
Education	Sewage Disposal	Safety	Churches	Transportation	Column 6 Sub-total
Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	Poor 1 Fair 2 Good 3	TOTAL (Possible Score - 105)
Column 1 Sub-total	Column 2 Sub-total	Column 3 Sub-total	Column 4 Sub-total	Column 5 Sub-total	

When Improvements Need To Be Made . . . HOW DO WE START?

Set Priorities:

Number 1 Improvement needed:

Number 2 Improvement needed:

Some communities are nearer being perfect in the eyes of residents than others. But this we know--every community can stand improving.

If it is agreed that there are some areas that you can and should improve, invite a small group together and discuss what can be done to make improvements. You will need to talk about

- **The kind of community you want.**
- **The kind of community you have.**
- **The width of the gap between what you have and what you want.**
- **What should be done about it and what can be done immediately.**
- **Who will accept responsibility for getting it done.**
- **How to know the job is progressing.**

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OKLAHOMA HISTORY

Economic growth is an increase in the production and consumption of goods and services over a period of time. Such growth in Oklahoma, or any other state, is facilitated by three ingredients: natural, human and capital resources. These ingredients, which are necessary for "take-off" into sustained economic growth depend on two primary catalysts, the efforts of entrepreneurs and the actions taken by governments. Continued economic growth in Oklahoma must be considered in terms of how the quality of the environment can be maintained or improved while production increases.

Natural Resources. Raw materials and sources of energy can be categorized as natural resources. Soil has been one of Oklahoma's most important natural resources throughout our state's history, and agricultural production will remain important. Industry has grown from Oklahoma's rich supply of energy resources--petroleum, natural gas and coal. Additional electrical energy is being provided as a part of the Arkansas River Basin Project. This inland waterway also provides economical water transportation for raw materials and final goods. Other natural resources of Oklahoma include metals, minerals, forests, water resources and the temperate climate. How well Oklahomans utilized these resources in the past has influenced the state's present economy. How efficiently we conserve and use these resources today will affect Oklahoma's future well-being.

Human Resources. If one ingredient of growth can be considered the most important, human resources must be that ingredient. People are the power behind an economy. Man, collectively or individually, must make decisions on the use of natural resources and create capital resources to build or maintain economic well-being. Career decisions are made by the individual, but these decisions affect and are affected by the conditions in the economy. Oklahomans as consumers, investors, laborers and entrepreneurs determine the character of our economy and its future growth or stagnation. How Oklahomans function in these various roles depend largely on their levels of education, state of health and their achievement motivation.

Capital Resources. Tools, equipment and facilities are the capital goods which help produce final consumer goods and services. Capital goods play a very important role in economic growth. Especially critical to the growth process is the development of supporting services such as transportation, communication, health and educational facilities. Capital goods may be owned by either the private or public sectors. Capital formation depends on savings channeled into investment to replace or increase the stock of capital goods. In order to accumulate capital through savings, adequate incomes and profits are needed. Higher income and profits depend on increased productivity; and to get increased productivity, better machines and tools are needed. This equipment requires more capital which requires more savings. Consequently, it is difficult to enter the growth cycle when profits and real incomes are low.

Catalysts of Growth. Entrepreneurs are the catalysts who initiate and sustain economic growth. The entrepreneur strives to use our resources most efficiently in the productive process. The possibility of making a profit motivates the private entrepreneur to seek new methods of resource use and to create new products to

satisfy the wants of people. Entrepreneurs are found in government as well as in private industry. The state of Oklahoma has benefited from such entrepreneurs as Bernard de la Harpe, E. W. Marland and Robert S. Kerr, all of whom have fostered the economic growth of the state. Different levels of government use tax money to provide for the necessary education and other public services. Through regulatory agencies and courts, the government creates a climate of workable competition and equitable opportunity. Government officials at both the state and local levels give strong support to economic development projects.

Growth and Quality of Environment. In examining the effect of economic growth on the environment, one can see that all growth may not be beneficial. Although air pollution is not a statewide problem in Oklahoma, certain industrialized areas are affected. Food, water and air pollution are important problems to resolve as the state rapidly industrializes during the next decade. If appropriate steps are taken now to regulate and plan for future economic growth, the generally excellent quality of Oklahoma's environment can be preserved for future generations.

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DEFINITION OF TERMS

economic growth	An economic condition which exists when a nation is steadily better able to satisfy its wants by increasing the level of per capita GNP
entrepreneur	The businessperson who not only has the know-how of combining human, natural and capital resources to produce goods and services, but also is willing to risk making either a profit or loss
per capita GNP	Gross national product (GNP) is the dollar value of all goods and services produced in the nation over a certain period of time, e.g., a month or a year; per capita GNP is GNP divided by the population count
productivity	The amount of goods and services made by a producer in a given period of time, usually measured in output per man-hour

OKLAHOMA HISTORY

Standards of living can be improved by increasing productivity

Natural Resources

1. **People's economic wants change as new resources are discovered or developed.**

   a. Each student should list five items his family owns or wishes to own. He should then compare this list with five probable wants of a tribal Indian family in the early 1800s and with five items a frontier family might have wanted during Oklahoma's territorial days (1889-1907). The teacher should call attention to the fact that the wealth of a community or a state and the standard of living of its people depend upon the availability of the resources within the area. Discuss how new manufacturing and service industries have been established to serve the ever expanding wants of people and how these new jobs have enabled Oklahomans to raise their standard of living.

   b. Have a student research and orally report how the Osage tribe before 1700 obtained the necessities of life. Next, have the class list the "wants" of an Osage family. Have another student immediately give a report on the Osage tribe and their relationship with the Chouteau family after French trade was established. Have the class make another list showing the wants of the Osage family after becoming accustomed to having manufactured conveniences such as guns, metal knives, etc. If appropriate, modify this activity to focus on a local Indian tribe.

   c. Describe the process of obtaining meat by a Plains Indian father before horses were introduced to America in 1541. Describe the same process after the Indians took horses from the Spanish. Point out that wealth came to be counted in horses for Plains tribes.

2. **The availability of natural resources influences the location of industries and therefore, the location and development of cities.**

   Students may make a number of transparencies or posters of an Oklahoma outline map. Different maps can indicate water resources, minerals, principal oil fields, various soil types, average annual precipitation, major industries and major cities. Students should compare the location of resources, industries and

cities to discover relationships. The Arkansas River Project can be mapped, and its effects on the Oklahoma economy should also be discussed. Consider the possible results of moving water from the southeastern part of the state to the parched farmland in the west. Would there be new opportunities for industrial development in the west?

3. **The efficient use of natural resources requires both technical knowledge and conservation practices.**

   a. Divide the class into two groups and provide them with reference materials on certain natural resources. One group will find examples of technological developments, e.g., new uses for oil by-products which have led to more efficient use of our natural resources. The other group should discover what conservation practices have been utilized in Oklahoma to bring about more efficient use of natural resources, e.g., contour farming and spacing of oil wells. The two groups should then report their findings to each other. Pictures, charts or some other type of visual aid will make oral presentations more interesting.

   b. Watch the film "The Dust Bowl." Lead the students to observe the relationship between cultural practices and economics. The ancient Indians had tried to farm the Great Plains. Panhandle Man, as we have labeled this group, discovered the weather cycle of the plains. They discovered the tragic effect of erosion in dry years when the natural grass was removed. Thus, the Indian religious belief, that to plow the face of Mother Earth was sacrilegious. Have the students role play a debate between a pioneer and a Plains Indian of the late 19th century. The pioneer should talk about the "waste" of hunting on the plains instead of using them to produce crops. The Indian should bring out the danger of removing the soil cover of natural grass and encourage hunting and cattle raising. Point out the ethnocentrism in each group who considers the other's economic viewpoint ignorant. Who was right? Discuss.

   c. See the film, "I Will Fight No More Forever," or assign a report from one student, or a research project by a committee of students. Have the students research the Plains Indians' religious beliefs concerning the relationship of man, animals and earth and relate them to the Plains Indians' economic system based on hunting.

Human Resources

1. **One of the most important characteristics of human resources is the level of formal education, because this factor greatly influences the productivity of people and therefore the standard of living.**

   a. Ask students to interview family members and friends 40-85 years old about their parents' level of education, work history and standard of living. The following questions might be used in the interview:

(1) How many years of school did your parents complete?
(2) If they did not graduate from high school, what was the reason they quit going to school? Was it an economic reason? Were many of their peers quitting for the same reason?
(3) What kinds of work did/do your parents do?
(4) In what ways do you think their education helped them get the jobs they had/have? Did a lack of education keep them from getting better jobs?

(5) How did/do the jobs they held/hold affect their standard of living, i.e., the number of goods they had/have and the amount of services they used/use?

b. Where appropriate, students might have as a resource speaker a member of the tribal government of a local Indian nation. The guest should discuss the emphasis on additional education for Indians and how better education is expected to help Indian people improve their living standards.

2. **The rural-to-urban shift of human resources is a result of changing technology. With the need for fewer workers on farms, ranches and in oil fields, an increasing number of people have moved into towns and cities and have developed new skills.**

a. From 1930 to 1960, 44 Oklahoma counties lost at least a third of their population. Ten lost more than half. Ask students why they think this happened.

b. Invite to the class to discuss the local rural urban population shift someone knowledgeable about changes in the local population. Possible resource persons might be a member of the community's Chamber of Commerce, a businessperson, a local county agent or a member of the local historical society. If appropriate for the area, invite an experienced oil-field worker who has knowledge of the early days in the industry. After some discussion, the students should discover that displacement of farm and oil field labor by machines and improved technology has reduced the number of jobs available in rural areas. Be sure guest speakers understand this is a key point to be brought out in their comments.

c. In the early days of migration to urban areas, rural workers had to take unskilled jobs or receive on-the-job training. What job opportunities exist for rural youth today? Ask students to survey job training alternatives in their area. These might include a vo-tech school, a university, a junior college, a business college and other training institutions. Discuss that training and retraining are necessary to adjust to changing occupational requirements.

3. **Freedom of enterprise in America permits each person to select career(s) which he/she considers most rewarding to him/herself. However, a satisfactory matching of individual skills with occupational requirements is essential. Economic conditions and changes in the economy affect career decisions.**

   a. Discuss with students how career decisions might be affected by changes in the economy of the community or region. For example, how might career decisions be affected by the following changes?

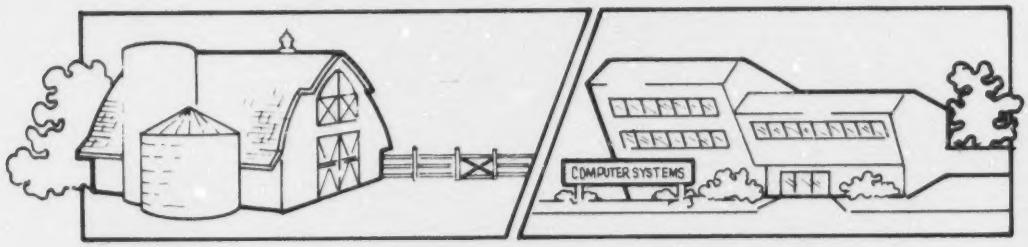
      (1) federal student aid programs are reduced
      (2) a new factory is opened, providing 1000 new jobs for unskilled workers
      (3) recession in the region hits hardest in housing construction and retail sales--several stores and restaurants close
      (4) the state provides funding for the local community to build an industrial park
      (5) there are more computer programmers than programming jobs

   b. Provide each student with a copy of 'Career Decision,' (appendix 1). Divide the class into three groups. Each group will be responsible for solving the career problems of two of the students in the handout. The groups will make career decisions for the two individuals assigned to them and justify that decision. Next they might hypothesize the kinds of economic changes that could cause such decisions to be changed. Have the groups report their conclusions by role playing counselor-student advisement.

   c. Survey the class to determine the main occupational interests. Then, plan a Career Day and ask various community resource persons to talk with interested student groups about specific careers. Following Career Day, students should write a report on how they think their aptitudes match with the requirements of the careers in which they were interested. To help students with this self-assessment, make available to them results of any aptitude, achievement and/or interest inventories they have taken. Also in the reports should be lists of the skills they need to acquire to qualify for their career choices.

   d. A career information bureau can be set up. Students can gather information from various sources on career qualifications and opportunities in Oklahoma. Instruct students to select two careers that match their interests and for which they could acquire the necessary skills. Ask them to justify their selections in an oral or written report.

   e. Compare occupations in Oklahoma today and those which existed at the time of statehood. Discuss how people usually selected their occupations. Ask students: "Does one usually select a job that one's friends or relatives are involved in? Is one always aware of the existence of certain jobs they might like if one has no experience with anyone who does these jobs? Do certain jobs come to be associated with certain ethnic and socioeconomic groups?" Discuss the implications of career familiarity for the various ethnic and socioeconomic groups represented in the class.



f. Point out two groups for whom the freedom to choose one's own job was not true until recently. Lead the students to observe that Blacks were denied certain jobs even after the end of slavery. Help the students to recall that Indians were systematically forbidden to follow the occupation for which they possessed the most training--hunting. Use the picture, "Visions of Yesterday" to show the inadequate farming skills which were in contrast to the very adequate hunting skills.

g. Have some students research the United States Indian policy of the latter nineteenth century. The Prucha book, *Documents of United States Indian Policy*, is a good resource for this. The teacher might duplicate selected documents for study. Students will find that Indians were refused the right to follow game and encouraged to farm.

Capital Resources

1. **The amount of capital resources available at any given time will greatly affect the level of economic growth.**

   a. Capital goods are used to produce other goods and services, whereas consumer goods are used by individuals in the final process of consumption. Students may discuss whether each of the following items is a capital good or a consumer good or service:

      (1) pickup truck used for family recreation
      (2) airport terminal building
      (3) movie theater
      (4) pickup truck used by a cattle rancher to haul cows and calves to market
      (5) bike for delivering papers
      (6) chair in which you are sitting
      (7) streets and highways
      (8) chair in your living room at home

      Answers:

      Consumer goods: (1) and (8)

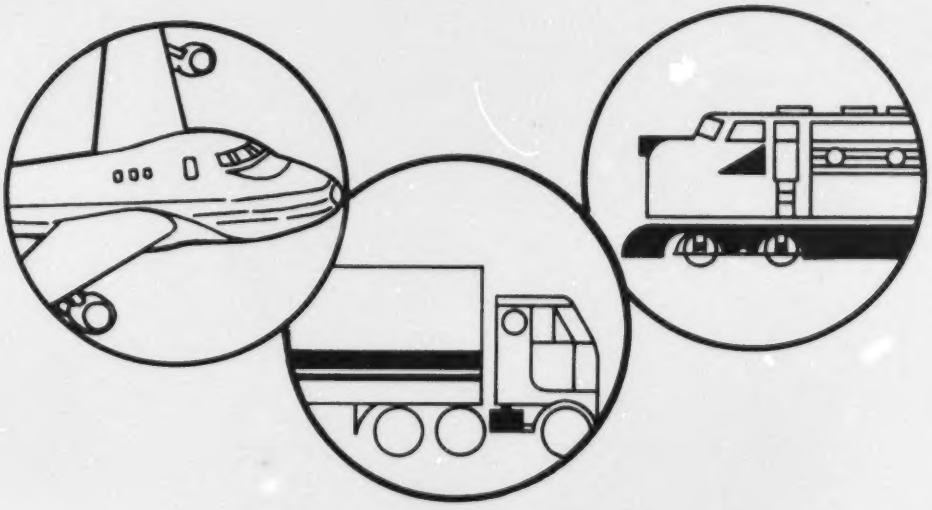
      Capital goods produce a service: (2), (3), (5) and (7)

      Capital goods produce a product [good]: (4) and (6)

      Items (1) and (4) illustrate that some goods may be used as either a capital good or a consumer good.

   b. As a follow-up to discussion, pictures of capital goods and consumer goods could be placed in a learning center for students to identify.

2. **Transportation and communication industries are necessary for the economic growth of Oklahoma.**



Ask students to interview people knowledgeable about trucking firms, airlines, railroads and the telephone company; how their respective organizations have contributed to the economic growth of Oklahoma. (See appendix 2 for an interview form.) Have the students report by role playing. Discussion should point up the importance of the industries, their major accomplishments, problems and opportunities in serving the Oklahoma economy.

3. **Capital formation depends on savings. Growth is retarded during periods of reduced real income, e.g., that caused by inflation or recession. During such times adequate investment funds are not available because peoples' ability to save is limited. Growth is fostered in times of greater real income when people have a greater ability to save.**

   Invite a local businessperson or industrial leader to explain the importance of saving and investment to the growth of his/her own enterprise. Prior to the speaker's visit, discuss economic idea 3. with him/her and request that his/her comments address the points in this idea.

Catalysts of Growth

1. **An entrepreneur strives to combine natural, human and capital resources to produce goods and services most efficiently. The private entrepreneur seeks a profit for his risk, but he may suffer a loss instead.**

   a. Tell the students they are going to become entrepreneurs. Discuss with them what an entreprenuer does. He/she organizes natural, human and capital resources to produce a good or service. Present the students with an imaginary stack of lumber, nails, lemons, water, sugar, ice, spoons, glasses, pitchers, hammers and a little brother and sister who want to work. Ask what they need to create a lemonade stand? Have the students consider the profit-making probability of such a stand at a particular location. Observe the flow of traffic and predict the type of customer who would be served. Then, involve the class in planning a new business including the recruitment of personnel to staff the new facility. After the students complete the activity, ask them to write a definition of an **entrepreneur.**

MC b. A simulation titled "The Lemonade Stand" is available for the Apple Computer.

2. **An entrepreneur may be in "business for him/herself," a partner in a firm or on the management team in a corporation. Government officials can make invaluable contributions to entrepreneurship through public programs promoting economic development.**

   Have students role play a talk show. One student can be the host who interviews students who are role playing various Oklahoma entrepreneurs. Include women, government officials like E. W. Marland and various racial and ethnic groups.

Students who do not wish to role play may write part of a diary which might belong to one of te entrepreneurs and share it with the rest of the class. In either case, facts about the entrepreneurs' skills and contributions should be brought out.

3. **Entrepreneurs are essential for the economic development and growth of every community.**

   a. Make a classroom "Hall of Fame" for past and present entrepreneurs in your community. Pictures and a paragraph on their contributions to the community's devvelopment and growth can be displayed. Invite one of these entrepreneurs to the classroom to discuss future plans for growth of the community.

GT b. Have students interview other local entrepreneurs. They might ask questions such as:

   (1) Where did investment funds come from to get started in business?
   (2) How did they pick the location?
   (3) How did they determine the need for their good or service?

   The student should try to identify specifically how the entrepreneur affected the economic development and growth of the community. For example, they could ask: 'How many persons does your business employ? What other businesses do you think located in this community because your business is here?'

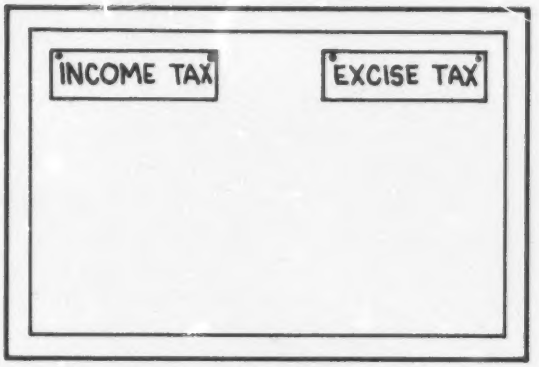
   The interviewers should submit written reports and form a panel to present findings orally. Interviewers would be graded on both reports and class members would be graded on **creative listening** assignments. (See assessment page.)

4. **Governments buy goods and services from individuals and from businesses. Purchases of goods and services are a cost to government and income to certain individuals.**

   Have a committee of students from the class conduct a survey in your building to determine how many students' parents are employed by or sell to the city, county, state or federal government. Through class discussion, the students may understand the effect of government spending on the local economy. For instance if county budgets were reduced by one-fifth this year, how would sellers to the county government be affected?

5. **Government funds used to stimulate economic growth are derived from taxes such as the following: income tax, excise tax, ad valorem tax and sales tax.**

Prepare bulletin boards showing the major types of taxes received and their uses at the city, county, state and federal levels.



6. **Different levels of government engage in various regulatory practices to provide for the general welfare.**

   Invite a panel of local entrepreneurs to your class. Ask them to discuss how federal regulations help or hurt their businesses. Make a list of regulatory agencies referred to by this panel. Assign certain students to write these specific regulatory agencies requesting information regarding the intent of one of the regulations mentioned by the panel. Assign this relatively early in the year so that answers may be received in time to be shared with the class for discussion.

Growth and Quality of Environment

1. **Economic growth is limited by the available resources and existing technology which may temporarily set upper limits to the economic growth of any city, state or nation. Positive growth can occur without depleting resources if ways are found to use inputs more efficiently.**

   Economic growth means that the average Oklahoman will be able to buy more goods and services, thus having an increasingly higher standard of living. Have the students discuss whether it is desirable to have unchecked economic growth. The following questions might be incorporated into their discussion.

   (1) Is it possible to "run out" of natural resources? Capital resources? Human resources? Is it possible to expand or improve our base of natural resources? Capital resources? Human resources?
   (2) Could economic growth continue if all of the presently discovered natural resources or the development of synthetic replacements affect economic growth?
   (3) How can an economy's level of output be increased without a proportional increase in resource use? (Note that more efficient procedures, more effective task organization and greater motivated employees are examples of ways to increase output without using proportionately greater amounts of human and capital resources.)

   Point out in the discussion that making more and more goods and services by using up resources at an increasing rate may provide more immediate satisfaction but at a cost of future satisfaction. A preferable, more efficient circumstance would be to find ways of getting more goods with the same level of input.

2. **Unregulated growth in Oklahoma can have detrimental effects on the environment.**

   a. Ask students, "How can producing more goods and services have bad effects on the environment?" After they respond, discuss the example of resource exploitation which led to the Dust Bowl period. (Proper soil conservation practices had been ignored while expanding wheat production during and after World War I.) The film, "The Dust Bowl" can be used in this connection. The film also points out the farmers' overextending themselves in credit buying to obtain the newly perfected gasoline tractors.

   b. The film, "The Industrial Revolution" clearly shows the effect of sudden industrialization. After seeing the film the class should investigate and discuss the following questions:

      (1) How can economic growth adversely affect human, natural and capital resources? For example, what are the effects of acid rain in the midwest on capital equipment?
      (2) What is the affect of air pollution in California on the ability of human beings to work?

3. **Improving the quality of environment is difficult and complex; solving one problem may create others.**

   a. Have the class propose solutions to the kinds of problems studied in the above activity. They should select two or three problems to be analyzed by small committees. Each committee should define and analyze an existing problem, state the goals, and explore alternative corrective policies that can be put into practice. The committees should list the consequences of their proposed solutions. For example, if a group wants to reduce immediately all the adverse effects of economic growth, they should understand that such an action would lead to extreme unemployment and poverty. Consider the many advantages of recycling aluminum cans, car bodies, etc., so that basic raw materials can be reused. Why isn't recycling a more common practice?

GT b. Have a student interested in ecology or a qualified conservation guest discuss with the class the problem of damming rivers for power, transportation or irrigation and its effect on fishing for pleasure as well as professional fishermen.

Assessment Ideas

In the speeches, reports, role playing and similar subjectively graded activities, be certain that the student receives in writing specific instructions. Such instructions might specify the number of factual points which must be covered, the number of resources which might be used, bibliography form (if any), points to be given for logical reasoning (right or wrong), note cards or outlines which are to be required for grading purposes.

Before individuals present their oral reports to the class, give class members specific instructions as to how they are to earn a grade by **creative listening.** Some examples of this would be by writing paragraphs summarizing the presentation, suggesting test questions based on the presentation, or taking notes during each presentation and handing them in for grading. Exact instructions must be given in advance.

During each student presentation the teacher can identify the most important points and construct objective questions to test for understanding of these points. After the presentation the teacher can summarize the main points by asking the class these objective questions. Such questions can then be included on a later exam.

Appendix 1
CAREER DECISIONS

The Career Day Assembly at Oklahoma High School is in progress. The guest speaker declares that opportunity is knocking at the door. However, the students aren't actually enthralled by his speech. Most students are concerned about their future and what career they should choose, but the speech doesn't really seem to be helping them decide what to do. At least six students are daydreaming about their personal problems concerning their career decisions.

Phil G. can't decide if it is really worth the trouble to finish high school. His grades are low. He doesn't like school, and his parents don't seem to care whether he does well in school. Phil knows people say drop-outs don't make as much money as graduates, but he knows he could go to work right now at his uncle's auto repair shop. He could make money and work on cars--something he really likes to do. Should he bother to finish school? Why or why not?

Jan K. plans to get married two years after she graduates when her fiance gets out of the service. She considers her future career to be that of a wife and a mother. Would it be worth the time, effort and money to get more training of some kind after high school when she doesn't plan to work after she gets married? Should she enter the labor market? If so, what kind of work could she do without more training?

Mike R. is star pitcher for the school baseball team. He has hopes of becoming a professional ball player in the major leagues. Mike has received a couple of small offers from minor league clubs. He knows the chances of making it out of the minor leagues are small. Should he place all his hopes on joining the major leagues or should he also plan for a 'second career' in another field? Why?

Bob H. thinks school is OK--he just doesn't see much point in it sometimes. His brother graduated from high school two years ago and hasn't found a job yet, even though he made above-average grades. Maybe if Bob got more training in something after high school he could get a good job. Bob does well in drafting class. His counselor told him there is a need for good draftsmen and the wages are high. He could go to the new regional vocational school for training. In fact, he could start training before he gets out of high school. However, Bob, a Black, wonders if his brother is right when he says, "Racial discrimination will keep you from getting a job." Bob asks himself, "If he's right, why should I bother to work hard to become a good draftsman." What do you think?

Sue B. wonders if sex discrimination would affect her career. She wants to be an architect, but she realizes few women hold such positions. To reach her goal she believes she should take college prep courses, then go to college and specialize in architecture. Her parents tell her she should take business courses, particularly shorthand and typing; then when she graduates from high school and college she can get an office job or teach. She wonders if there really is sex discrimination against women in professions and business, or if there just aren't very many women qualified for such positions. Should she enroll in business or college prep courses next year? Why or why not?

Bill T. would like to be a doctor, but pre-med and medical schools mean eight more years of school and cost a lot of money. Besides the expense and the rigorous training, he's not sure he could pass the exams one has to take to get into medical school and to become a doctor. Maybe it's not worth all the time and effort. Even if he did pass all the exams, it takes years to build up a clientele if he becomes a general practitioner. Perhaps he'll become a specialist in some area and be asked to join a medical center, however, competition is stiff in this area, too. Should he try for a career with so many "ifs" in it?

APPENDIX 2

Interview Form for Transportation and Communication Industries

1. List five other Oklahoma industries that depend on you for their survival.

2. On what businesses in your community do you depend?

3. How many people do you employ?

4. We know that goods and services provided by governments are made possible by the taxes paid by individuals and businesses. Approximately how much does your firm contribute in local, state and federal taxes?

5. What is your payroll for this community?

6. What is your payroll for this state?

7. When did your industry begin in Oklahoma?

8. Has this industry grown or declined, in general, since 1907?

9. Why do you think this growth or decline has happened?

10. If your industry disappeared, what would be the effect on the state's economy?

APPENDIX 3

A Chronological Listing of Some Economic Issues in Oklahoma History

There are many opportunities for the natural integration of economic concepts into the study of Oklahoma history. Below, in chronological order, are some examples of economics questions which could be investigated.

Pre-historic Oklahoma

People living in early civilizations had the same basic wants of food, clothing and shelter as we do. What resources did they use to satisfy these needs?

Indian Era

1. What were the economic motives white men in the Southeastern United States had for wanting the Indians' land?
2. Wars associated with resistance to removal and the Civil War had many costs. What were the costs of these wars? (Humans, farm lands, homes, churches, businesses, etc.) How did these losses affect the economy?
3. Describe the economic systems of the five major tribes before removal to Indian Territory. An economic system answers the questions:
   a. What should be produced?
   b. How should it be produced?
   c. How much should be produced?
   d. Who shall get what is produced?
4. Compare the economic systems of these tribes to that of Plains Indians.
5. Cattle drives through Oklahoma were the result of a shortage of beef in the Eastern United States and a surplus of beef in Texas. The high prices being paid for beef in the east motivated men to walk cattle from Texas to Kansas to be shipped east. (profit motive)

Territorial Days

1. How was the scarce resource - land - allocated?
2. What roles did the U.S. and the railroads play in the economic growth of the territories?
3. Why did white men want to move into what had been declared Indian Territory? White men had thought the area wasn't fit to live in.

Statehood

1. What were the roles of various economic interest groups in the constitutional convention?
2. Where does the state get its revenues and what services does it provide with these funds?
3. Oklahoma's natural resources affect what is produced. What are our resources, and what is produced in Oklahoma?

4. How did the Great Depression affect Oklahoma? In what ways did the federal government help Oklahomans through this time? (fiscal policy)
5. What effects did the **Dust Bowl Days** have on Oklahoma?
6. In what ways did Oklahoma's economy benefit from World War II?

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* These books are simpler to read.

GENERAL GLOSSARY

barter	The direct exchange of one commodity or service for another without the use of money
budget	A plan which classifies individuals', families', communities' or nations' estimated income by source and expenditure category within a fixed time period
capital formation	The creation of capital goods made possible through savings
capital goods	Tools, machines, facilities, etc. used to produce other goods
centrally-directed economy (command economy)	A system by which the economic production and distribution decisions are made for a nation by an individual or a small group
coins	Metal items used as money
collective wants	Goods and services which members of a society seek together; for example, streets, parks and education
commercial bank	A financial institution whose primary function is to accept deposits and extend loans
comparative advantage	The principle which states that nations will benefit from international trade if each nation produces and exports goods in which it has the greatest relative efficiency and imports goods in which it has the least relative efficiency
competition	A situation in which one or more producers seek to gain an advantage in selling similar products or services
consumer goods	Goods used directly in satisfying human wants
consumers	Individuals, families, business firms and governments who acquire goods and services for final use
consumption	The direct use of goods and services to satisfy human wants
credit	A promise of future payment in exchange for present goods, services or money

currency	Paper bills used as money which are issued by the federal government or its agent
demand	At a given time, the quantities of goods, services and resources purchasers are able and willing to buy at all possible market prices
demand deposits (checking accounts)	Money placed in financial institutions upon which checks can be written, and other forms of immediate withdrawal can be made
depression	A relatively long time period of exceptionally slow business activity; the main traits are somewhat lower prices, low profits, much lower production and very high unemployment
developing country	A nation in the very early stages of industrialization
discount rate	The interest rate a commercial bank must pay to borrow money from a federal reserve bank
dividend	A payment to owners of corporate stock from net income as authorized by the corporate board of directors
economic development	(See economic growth)
economic freedom	The American citizens' right to choose their own jobs, to buy and sell property and to enter into or dissolve a business
economic goods	Things people, families, communities and nations use to satisfy their wants
economic growth	An increase in per capita gross national product (GNP); this improvement is accomplished by increased efficiency or increased resource utilization or both
economic services	The work of people such as teachers, repair workers and musicians, whose activities satisfy the wants of other people
effective demand	At a given time, the quantities of goods, services and resources purchasers are able and willing to buy at all possible market prices
efficiency	To make the best possible use of available resources; efficiency is usually measured by the per unit cost of goods and services or the productivity of resources
entrepreneur	The business person who not only has the know-how of combining resources to produce goods and services but also is willing to risk making either a profit or loss

exports	Outflow of goods, services and resources produced by individuals and businesses of the United States and sold to residents, businesses or governments of another nation
free trade	In international trade, the absence of export and import duties or any regulations designed to reduce or prevent trade
Federal Deposit Insurance Corporation (FDIC)	A public corporation created by the United States government in 1933 to insure deposits in banks and thereby protect depositors against loss in case an insured bank fails or suspends payments to depositors
federal reserve system	A system of federal banks, one in each of 12 federal reserve districts of the country, a Board of Governors, a Federal Open Market Committee, a Federal Advisory Council, and member banks which include all national banks and such other institutions who apply and qualify; the primary function of this system is to control the nations' money supply to achieve growth and price stability
financial institution	Businesses, such as banks, small-loan companies, savings and loan companies, insurance companies, and mortgage companies that borrow savings of individuals and businesses to lend in usually larger quantities to other individuals and businesses
fiscal policy	Federal government taxing and spending assigned to promote economic growth and price stability
foreign exchange market	Financial center where foreign and domestic currency is bought and sold
fractional reserve system	A provision that banks in the United States may hold only a stated portion of their deposits as reserves; under this system, commercial banks essentially create additional money when they make loans
gross national product (GNP)	The money value of all goods and services produced within a country during a specific period of time, usually a year
imports	Inflow of goods, services and resources produced by businesses and individuals of another nation and purchased by residents, businesses or governments of the United States
income tax	A tax on the net income of individuals or corporations, usually with progressive rates; the most important source of federal revenue

inflation	A widespread rise in the prices of goods, services and resources
interest	Payment for the use of money owned by someone else
installment credit	Goods or services purchased on terms which call for partial payments over a specified time period
investment	Purchase of capital goods and/or additions to inventory; (economists' and laymen's terminology relative to the denotation of this word varies, i.e., when an individual buys stock, this is considered by economists as a financial transaction; when a business purchases additional machinery or adds to its inventory, this is considered to be an investment)
labor	One of the factors of production involving human
loss	When business expenses are greater than income, the difference is a loss
market	Any situation in which exchange takes place; the exchange may be either in the form of goods, resources or services for money or for other goods, services or resources
marginal utility	The extra satisfaction enjoyed from the consumption of the final unit of a particular product
monetary policy	Federal Reserve System actions to control the rate of growth of the money supply at a level appropriate for price stability and economic growth
money	Checks and related cards, coins and currency acceptable as final payment in exchange for resources, goods or services
monopoly	A market situation in which there is only one seller of a product and there are no acceptable substitutes
national income	The total net earnings for the production of final goods and services during a specific period of time, usually a year; (GNP minus depreciation allowance and indirect business taxes)
natural resources	All things created by nature that are usable in the production of goods and services
open market operations	The buying and selling of government securities by federal reserve banks under the direction and regulations of the Federal Open Market Committee to promote economic stability
opportunity cost (alternative cost)	The real cost of using resources to satisfy one particular want is giving up the other uses we might make of the same resources

per capita	Per person
prime rate	The interest rate major banks charge their most creditworthy customers
private enterprise economy	An economic system featuring private ownership of property, the profit motive to stimulate production, competition for efficiency, private ownership of resources for production and consumer direction through free market purchases of goods and services
production	Any kind of activity which adds value to goods and services; the total amount of goods or services that are produced
productivity	The amount of goods and services made by a producer in a given period of time, usually measured in output per man-hour
profit	Net income remaining after all costs of operating a business are paid; the chance for profit motivates entrepreneurs to take economic risks
property tax	A government tax on private property; the amount of tax is based on the property value, which is determined by government assessors
public goods (social goods)	Goods provided by governments which help satisfy the collective wants of people; examples would be schools, highways and parks
quota	Share, allotment, or limit governments place on goods that may be traded internationally
recession	A situation in which business activity is slowing down or contracting; primary traits of the period are decreasing prices, decreasing profits and increasing unemployment
rent	Periodic payments to owners for the use of their land, buildings, machinery, etc.
reserve equipment	The percentage of demand deposits that a commercial bank must retain in reserve and not use for additional loans
resource allocation	The blending of land, labor, capital and entrepreneurship in the production of goods and services
sales tax	A government tax computed as a percentage of the sales price of economic goods
savings	That part of income not spent for consumer goods; also, the retained earnings of businesses

scarcity	The universal condition of people wanting more goods and services than they can have because of limited resources
Sherman Anti-Trust Act	An act passed in 1890, prohibiting combinations or conspiracies in restraint of interstate trade and forbidding monopolies or the attempt to monopolize
social goods (public goods)	Goods provided by the government which help satisfy the collective wants of people; usually the goods are such that people as individuals are unable or unwilling to provide them efficiently
specialization (division of labor)	A situation in which individuals make only goods or services, or a nation produces goods or services that are best suited to its resources
stability	An economic condition over a period of time when the same amount of money buys the same amount of resources, goods and services; prices stabilize
stagflation	A period in which elements of both inflation and recession are present
supply	At a given time, the quantities of goods and services owners are able and willing to offer for sale at all the possible prices
tariff	A schedule of set charges by government on goods imported or exported; in the United States only imported goods are usually affected
technology	The ability to use resources with increasing efficiency to produce goods and services; (management; entrepreneurship)
trade deficit	In international trade, a condition in which the money value of a country's merchandise imports exceeds the money value of its merchandise exports for a specific period of time
under-developed country	A country which is not fully using the economic potential of its resources, thus the per capita income usually is relatively low when compared to industrialized nations
utility	The utility of a good or service to satisfy a human want; it is a subjective appraisal depending upon the marginal satisfaction derived from the consumption of the final unit of a particular product

Evaluation
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_____ American Government
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